

NATIONAL DAIRY MARKET NEWS AT A GLANCE**CME GROUP CASH MARKETS (09/28):**

BUTTER: Grade AA closed at \$1.9500. The weekly average for Grade AA is \$1.9400 (+.0700).

CHEESE: Barrels closed at \$2.0350 and 40# blocks at \$2.0750. The weekly average for barrels is \$2.0140 (+.1095) and blocks, \$2.0565 (+.1075).

BUTTER HIGHLIGHTS: The CME cash butter price remains firm. Churning schedules across the country are increasing as butter producers take advantage of available cream supplies and are generating butter for fourth quarter needs. Many butter producers that were selling a portion of their cream supplies in recent weeks have now pulled back and are now churning all the cream volumes that they can. Butter producers are indicating that it will not be too long before cream is absorbed into Class II cream based holiday items, thus limiting cream volumes for churning needs. Butter stocks are generally lighter than last month, but above a year ago. Butter producers and handlers question if they will have sufficient butter stocks for upcoming 4th quarter and end of year needs. Upcoming holiday butter orders continue to be placed and reports indicate that these orders are good. Retail buyers are scheduling end of year feature activities and preparing and scheduling orders to facilitate anticipated good butter clearances at those times. Food service orders are also developing positively. On September 28, it was announced that Fonterra, in New Zealand, will begin offering butter on the Global Dairy Trade (g/DT) platform from trading event #86 on February 19, 2013. The products that will be offered are salted and unsalted butter in 25 KG cartons.

CHEESE HIGHLIGHTS: Cheese production is mostly steady with recent weeks as manufacturers look to secure more milk for cheese vats. Demand for mozzarella is good as new pizza promotions are surfacing. Cheddar sales are also good as processors are looking to secure additional product. Export sales are slower with the recent price increases, but the CWT program continues to aggressively promote sales with their assistance. The program has assisted with the sale of 91.6 million pounds so far this year. Cold storage data indicates that stored inventories of all cheese at the end of August to be down 6% from last year. Last week's price increase was followed this week with more aggressive bidding early this week. Prices have passed the \$2.0000 mark for both blocks and barrels at the CME Group. Sales have been light on the barrel side with block sales moderate. Late in the week, the market settled back some but remains above the \$2.0000

mark. Barrels closed the week on Friday at \$2.0350 and blocks closed Friday at \$2.0750.

FLUID MILK: Milk production trends across the country vary from declines in the northern tier of states to slight increases in southern regions. Although milk volumes are increasing in southern regions, milk volumes often remain short of full needs. Demand from East/Southeast bottlers pulled milk from other regions to fulfill their Class I needs. Manufacturing milk volumes are also challenging for cheese makers as they gear up production schedules for upcoming holiday needs. Cream markets are firm. Cream volumes from coast to coast vary depending on the milk flow and class utilizations. In most regions, Class II demand has slowed, especially for ice cream, but holiday cream based product production is on the eve of increasing. Class IV demand is strong as butter producers are churning as heavily as they can to prepare for upcoming 4th quarter and holiday needs.

DRY PRODUCTS: Prices and market tones for most all manufactured dry products are steady to firm. Nonfat dry milk markets are firm. Most NDM production is trending towards low heat powder with intermittent runs of high heat to replenish inventories for contract fulfillment. Buttermilk powder markets are firm with prices higher across the board. Dry buttermilk production is mixed, depending of cream utilization trends. Some regions of the country continue to absorb good volumes of cream into Class II operations, while other regions are seeing more cream clearing to the churn, generating more buttermilk, although Class II cream demand is expected to increase in the near future, limiting buttermilk volumes. Whey powder markets are firm. Manufacturing milk supplies vary across the country thus cheese output is mixed, often limiting whey volumes for the drier. Stocks of whey are about balanced, although some whey is moving from one region to another.

INTERNATIONAL DAIRY MARKET NEWS (DMN): Milk production in **Western Europe** continues to seasonally decline. Production trends from one country to another are mixed, but cumulatively, production is steady to slightly lower than last year at this time. Early fall weather patterns are quite typical for this time of the season, thus they are not having any significant negative or positive impact on milk production trends. As milk production declines and when possible, milk volumes appear to be directed toward butter/powder production. Milk producers are stating that herd conditioning is

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CME GROUP CASH TRADING

COMMODITY	MONDAY SEP 24	TUESDAY SEP 25	WEDNESDAY SEP 26	THURSDAY SEP 27	FRIDAY SEP 28	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE							
BARRELS	\$1.9600 (N.C.)	\$2.0000 (+.0400)	\$2.0400 (+.0400)	\$2.0350 (-.0050)	\$2.0350 (N.C.)	:: (+.0750)	:: \$2.0140 (+.1095)
40# BLOCKS	\$2.0000 (N.C.)	\$2.0500 (+.0500)	\$2.0825 (+.0325)	\$2.0750 (-.0075)	\$2.0750 (N.C.)	:: (+.0750)	:: \$2.0565 (+.1075)
NONFAT DRY MILK							
EXTRA GRADE	\$1.6350 (N.C.)	\$1.6350 (N.C.)	\$1.6350 (N.C.)	\$1.6350 (N.C.)	\$1.6350 (N.C.)	:: (N.C.)	:: \$1.6350 (N.C.)
GRADE A	\$1.6800 (-.0100)	\$1.6800 (N.C.)	\$1.6800 (N.C.)	\$1.6700 (-.0100)	\$1.6600 (-.0100)	:: (-.0300)	:: \$1.6740 (-.0160)
BUTTER							
GRADE AA	\$1.9300 (+.0400)	\$1.9400 (+.0100)	\$1.9400 (N.C.)	\$1.9400 (N.C.)	\$1.9500 (+.0100)	:: (+.0600)	:: \$1.9400 (+.0700)

CHEESE: carload = 40,000 lbs., BUTTER: carlot = 40,000-43,000 lbs. *Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week.

Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/DAIRYMARKETNEWS.

NATIONAL DAIRY MARKET NEWS AT A GLANCE

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in pretty good shape as the winter season approaches. Supplies of manufactured dairy products are snug. Producers are very cautious with their commitments especially for the balance of the calendar year. Many traders are anticipating an announcement of a dairy product tender within the next few days and question what level of participation European suppliers might have with that tender. With supplies as tight as they are, participation with this tender will potentially clean up any uncommitted stocks that are available. Traders are speculating that the tender will seek an unknown volume of butterfat, skim, and whole milk powder for December - March delivery. Other international buyer interest is occurring, but tight supplies are limiting significant sales activity. The PSA butter storage program closed mid-August, thus volumes are now eligible to clear back into the market. Traders and handlers are indicating that some butter is in the marketplace, but volumes appear to not be negatively impacting butter markets. Of the total offering to the program during the open season, 133,305 MT, figures are not available as to how much has returned to the marketplace at this time. Milk production in **Eastern Europe** continues to decline seasonally. Many Eastern European countries have experienced a good milk production season this year and this trend is continuing at this time. Reports indicate that milk output in Poland is running over 7% ahead of last year for the 8 month period of January - August. Although milk output has been and continues on the positive side in many countries, stocks of manufactured dairy products are not as heavy as they have been in past years. Producers and handlers are cautious with their commitments and are waiting to see what level of participation they might get with an upcoming dairy product tender that is anticipated to be announced within the week. Milk production in the **Oceania** region continues to seasonally build with New Zealand producers realizing a stronger start to the current milk production season versus their Australian counterparts. Early spring weather patterns in **Australia** have been cool and in instances cold and wet. Milk producers and handlers are indicating that these early spring conditions are not overly conducive to positive growth, but also state that it is still early and most project that steady/positive growth is still to come. August milk production in Australia was 2.9% heavier than August 2011 with year to date output 3.3% ahead of last season. Most milk producers and handlers are projecting milk output during the upcoming season in Australia to be in the 1 - 2% growth range over recent years, outside of last season. Some milk handlers are even feeling that output might be comparable to last year. In **New Zealand**, the milk production season is well underway and early reports indicate that output is running heavier than last year at this time. Milk producers and handlers are very pleased with production trends and are hopeful that they continue. Early season projections for the year are much the same as they have been for the past few weeks, 3 - 4% over output of two years ago. Producers state that the strong finish and positive total output from last season would be difficult to duplicate again, but a positive trend is expected. Milk producers indicate that herd health and conditioning in both New Zealand and Australia are the best they have been for a number of years. An El Nino weather pattern during the upcoming summer months continues to enter conversations. Producers feel that water levels are sufficient to ward off significant damage to the industry in Australia while New Zealander's may not be as fortunate. Australia has a water reserve resource and an irrigation framework that will greatly help lessen dry conditions where as New Zealand is dependent on regular rainfall to maintain pasture and paddock growth. Traders and handlers are reporting that sales activity has absorbed a significant portion of first quarter milk production and subsequent product production. Although second quarter commitments are well underway, some traders and handlers are more cautious with their commitments for this period, at least until they get a better picture on how the milk production season is developing. Average prices at the last g/DT auction on September 18 were mixed, although a firm trend continues for -1A-

many products. Prices for skim and whole milk powder, casein, and cheddar cheese were firm with anhydrous milk fat, butter milk powder, and milk protein concentrate easing. The average price for U.S. sourced skim milk powder for contract #1 (October) delivery was down 4.6% from the previous auction with the balance of New Zealand sourced skim milk powder ranging 2.9% - 7.2% higher for various contracting periods. On September 28, it was announced that Fonterra will begin offering butter on the g/DT platform from trading event #86 on February 19, 2013. The products that will be offered are salted and unsalted butter in 25 KG cartons. The next event, #77 will be held on Tuesday, October 2.

AUGUST COLD STORAGE (NASS): On August 31, U.S. cold storage holdings of butter totaled 204.5 million pounds, down 12.7% from a month ago, but 23.4% higher than a year ago. Natural American cheese holdings total 615.1 million pounds, 3.1% less than a month ago and 5.0% less than last August. Total cheese stocks were 1.003 billion pounds, 4.0% less than last month and 5.8% less than August 2011.

SEPTEMBER ANNOUNCED COOPERATIVE CLASS I PRICES (FMMO): For October 2012, the all-city average announced cooperative Class I price was \$23.97 per cwt., \$2.47 higher than the Federal milk order (FMO) Class I price average for these cities. The October 2012 Cooperative Class I price was \$1.35 higher than the September 2012 price. The October 2012 Federal order Class I price was \$1.29 higher than the September 2012 price. On an individual city basis, the difference between the Federal order and announced cooperative Class I price ranged from \$0.50 in Phoenix, AZ to \$4.29 in Miami, FL. For October 2011, the all-city average announced Class I price was \$24.69, \$2.49 higher than the Federal order Class I price average for these cities.

AUGUST FMMO MARKETING AND UTILIZATION (DAIRY PROGRAMS): During August, more than 9 billion pounds of milk were received from producers. This volume of milk is 15.7% lower than the August 2011 volume. In August 2011 and August 2012, there were volumes of milk not pooled due to intraorder disadvantageous price relationships. Almost 3.7 billion pounds of producer milk were used in Class I products, 1.7% lower than the previous year. The all-market average Class utilization percentages were: Class I = 41%, Class II = 18%, Class III = 32%, and Class IV = 9%.

AUGUST CONSUMER PRICE INDEX (BLS): The August CPI for all food is 234.2, up 2.0% from August 2011. The dairy products index is 214.5, down 1.0% from a year ago. The August to August changes for selected products include: fresh whole milk is -3.1%; cheese, -1.6%; and butter, -11.9%.

JULY COMMERCIAL DISAPPEARANCE (ERS, AMS): Commercial disappearance of dairy products during the first seven months of 2012 totals 117.1 billion pounds, 2.6% above the same period in 2011. Comparing disappearance levels with year earlier levels: butter is +4.2%; American cheese, +1.1%; other cheese, +2.2%; NDM, +42.7%; and fluid milk products, -2.1%.

SEPTEMBER AGRICULTURAL PRICES (NASS): The All Milk price received by farmers was \$19.10 in September, up \$1.00 from August 2012 and down \$2.00 from September 2011. Alfalfa hay price was \$205.00 in September, up \$7.00 from September 2011. Corn price was \$7.35 in September, up \$0.97 from September 2011. Soybean price was \$16.30 in September, up \$4.10 from September 2011. The milk-feed price ratio was 1.46 in September, down 0.38 from September 2011. The index of prices received by farmers for dairy products during the month of September 2012 was up 7 points to 146. Compared with September 2011, the index was down 16 points (9.9%). The index of prices paid by farmers for commodities and services, interest, taxes, and wage rates in September 2012 was up 3 points to 219. Compared with September 2011, the index was up 14 points (6.8%).

CME GROUP

MONDAY, SEPTEMBER 24, 2012

CHEESE -- SALES: 2 CARS 40# BLOCKS @ \$2.0000; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR 40# BLOCKS @ \$2.0100
 NONFAT DRY MILK -- SALES: 1 CAR GRADE A @ \$1.6800; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.6800
 BUTTER -- SALES: 5 CARS GRADE AA: 1 @ \$1.9050, 1 @ \$1.9100, 3 @ \$1.9300; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

TUESDAY, SEPTEMBER 25, 2012

CHEESE -- SALES: 8 CARS 40# BLOCKS: 4 @ \$2.0200, 4 @ \$2.0500; LAST BID UNFILLED: 1 CAR BARRELS @ \$2.0000; 2 CARS 40# BLOCKS @ \$2.0500; LAST OFFER UNCOVERED: 1 CAR 40# BLOCKS @ \$2.0600
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE
 BUTTER -- SALES: 1 CAR GRADE AA @ \$1.9375; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.9400; LAST OFFER UNCOVERED: NONE

WEDNESDAY, SEPTEMBER 26, 2012

CHEESE -- SALES: NONE; LAST BID UNFILLED: 2 CARS BARRELS @ \$2.0400; 2 CARS 40# BLOCKS @ \$2.0825; LAST OFFER UNCOVERED: NONE
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.6900
 BUTTER -- SALES: NONE; LAST BID UNFILLED: 2 CARS GRADE AA @ \$1.9400; LAST OFFER UNCOVERED: NONE

THURSDAY, SEPTEMBER 27, 2012

CHEESE -- SALES: 1 CAR BARRELS @ \$2.0500; 2 CARS 40# BLOCKS @ \$2.0825; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR BARRELS @ \$2.0350; 1 CAR 40# BLOCKS @ \$2.0750
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.6700
 BUTTER -- SALES: 2 CARS GRADE AA @ \$1.9400; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE

FRIDAY, SEPTEMBER 28, 2012

CHEESE -- SALES: 2 CARS 40# BLOCKS @ \$2.0750; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR 40# BLOCKS @ \$2.0850
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 1 CAR GRADE A @ \$1.6600
 BUTTER -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.9500; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.9700

BUTTER MARKETS**NORTHEAST**

The CME Group butter price increased \$0.0100 Tuesday to close at \$1.9400. In the last 5 trading sessions, the butter price has increased \$0.0875 on 7 trades. Cream supplies are readily available with good volumes coming from bottling plants. Butter production is about steady with last week. Most butter makers are not yet ready to increase production for the upcoming holiday season. Demand for butter is at typical seasonal levels for this time of year. Current production is geared to filling orders. Export interest remains fairly good. Cooperatives Working Together (CWT) has accepted requests for export assistance to sell 687,842 pounds (312 metric tons) of butter. The products will be delivered from September through March 2013. During 2012, CWT has assisted member cooperatives in making export sales of butter totaling 58.1 million pounds and anhydrous milk fat totaling 123,459 pounds. According to the latest NASS Cold Storage report, butter in storage on August 31, totaled 204.5 million pounds, 29.9 million pounds less (-13%) than the prior month stocks, but 38.8 million pounds more (+23%) than August 2011 stocks. Current bulk butter prices range from 4-8 cents over the market based on the CME Group with various time frames and averages used.

CENTRAL

The butter market tone remains firm with the CME cash butter price settling at \$1.9400 at midweek. This is the highest cash price in over a year. Last year at this time, the cash price was \$1.7600 with the highest cash price in 2011 at \$2.1800 in May. During 2011, \$2.00 plus cash butter prices prevailed for much of the first 8 months of the year with the cash price dipping under the \$2.00 level on September 6, 2011. Currently, many butter producers and handlers are speculating that the cash price will soon reach the \$2.00 level. Churning schedules in the Central part of the country are seasonally active. Most butter manufacturers are churning as

much of their available cream as they can, versus selling a portion as they have been, to enhance butter inventories for upcoming 4th quarter needs. Suppliers and handlers are stating that 4th quarter/holiday orders continue to develop. Early indications are that butter needs appear to be strong for the balance of the year. Some buyers are questioning suppliers on booking their needs now for later in the quarter, but are finding that some suppliers are quoting firm prices that are hard to accept at this time. Often these inquiries are not being finalized. Export deals continue to be put together by U.S. companies with the assistance of the CWT program. The CWT program recently awarded bonuses for 312 MT of butter for export now through March 2013. Bulk butter prices range from flat to 3 cents over various pricing bases and averages per pound.

WEST

Western butter prices are higher following a typical seasonal pattern. The market has a firm undertone as end users are looking to increase purchases for manufacturing demand. Bakery and confectionary orders are increasing as companies look to service upcoming holiday needs. Retail sales continue to be good with buyers looking to buy ahead of price increases. Butter churns are active with above year ago stored inventories helping to fill orders. Cream supplies are increasingly being utilized to make butter. Butter manufacturers are looking to balance inventories with orders. Prices for bulk butter range from 2 cents under to 4 1/2 cents under the market, based on the CME with various time frames and averages used. Wednesday's close on the CME Group exchange for butter is unchanged from Tuesday at \$1.9400. Monday and Tuesday saw higher prices with moderate sales of six loads reported. This price is the highest since the second week of September 2011. According to the NASS *Cold Storage* report, stocks of butter as of August 31, 2012, total 204.5 million pounds, +23% or 38.8 million pounds more than August of last year. Stocks were 13% lower or 29.9 million pounds less than end of July 2012.

NATIONAL DAIRY PRODUCTS SALES REPORT**U.S. AVERAGES AND TOTAL POUNDS**

WEEK ENDING	BUTTER	CHEESE 40# BLOCKS	CHEESE BARRELS 38% MOISTURE	DRY WHEY	NDM
September 22, 2012	1.8436 4,960,947	1.8484 12,507,227	1.8271 9,883,662	0.5930 7,684,261	1.3943 13,558,827

CHEESE MARKETS

NORTHEAST

Tuesday's CME Group cheese prices moved significantly higher with barrels advancing 4 cents to close at \$2.0000, while blocks advanced 5 cents to close at \$2.0500. In the last 5 trading sessions barrels have advanced \$0.1275 on 5 sales, while blocks advanced \$0.1400 on 28 sales. Cheese production is steady with last week, but down from year ago levels due to reductions in the available manufacturing milk supply. Domestic demand for mozzarella is very good as a major pizza maker has launched a new pan pizza promotion. Most cheddar cheese makers continue to be comfortable with their current inventories. Export interest remains improved. Cooperatives Working Together (CWT) has accepted requests for export assistance to sell 5.88 million pounds (2,667 metric tons) of Cheddar and Monterey Jack cheese. The products will be delivered from September through March 2013. During 2012, CWT has assisted member cooperatives in making export sales of Cheddar, Monterey Jack and Gouda cheese totaling 91.6 million pounds. The latest NASS Cold Storage report shows stocks of natural cheese in cold storage as of August 31, 2012 totaled 1,003.1 million pounds, down 4% compared to one month ago and down 6% from one year ago. A majority of the holdings are in the form of American cheese (61.3%) totaling 615.1 million pounds, 3% less than the amount one month ago and 5% less than one year ago. The next highest natural cheese holdings in cold storage are in the form of Other Natural Cheese, (35.8%) totaling 359.3 million pounds, 5% less than one month ago and 7% less from one year ago. Swiss cheese accounts for 2.9% of holdings at 28.8 million pounds, 6% less than one month ago and 14% less than one year ago.

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 40# Block	:	2.3525-2.6375
Process 5# Sliced	:	2.1200-2.2400
Muenster	:	2.3725-2.7325
Grade A Swiss Cuts 10 - 14#	:	3.3650-3.6875

MIDWEST

Last week's increase in cheese prices at the CME is well known to the industry by now, but what factors prompted the increase and what price trends will be in coming weeks are matters of less certainty. Last week's price increases had already been reached prior to the release Friday of the August Cold Storage data, showing total natural cheese stocks down 4% from July and down 6% from last year. CME trading through Wednesday has seen barrels increase \$0.0800 and blocks up \$0.0825 following the release of the storage data. There is variation among cheese manufacturers and cheese buyers as to how directly and quickly CME price movement affects production decisions. For some, daily price movements are closely watched and evaluated. For others, prices matter, but as one commented, "we are in the cheese business 365 days a year, milk comes in, and we make cheese". Several plants in the Midwest are moving forward with plans to expand capacity and/or cold storage, undaunted by these price movements or even uncertainty about milk supplies. There is some apprehension about milk supplies looking forward, but a plant level feeling in some plants that substantial amounts of cheese will continue to be manufactured in the U.S. justifies a plant level micro decision to work toward increasing production and gaining a greater share of the overall market for

the plant. A Midwest cheese plant manager also observed that recent weather events suggest a more advantageous future for Midwest style milk production, with more forages grown by some producers, than the model in some Western states where more feed is typically purchased. The belief leads to a feeling that milk supplies regionally available to cheese manufacturers, may be more assured than in other regions. That observation is to some extent, behind continuing decisions by some Midwest cheese manufacturers to continue with plans to expand capacity. Another factor motivating cheese plant planning to expand cold storage capacity results from customer pressure – commercial manufacturing customers. Cheese plants which previously shipped cheese by the truckload to customers who processed cheese into food products, have found ordering shifting to the customers ordering smaller sub truckload shipments at a greater frequency, shifting more of the storage function away from processors to manufacturers as a cost savings measure. Cheese manufacturers seeking to expand relationships with these commercial customers are continuing to adapt and increase cold storage capacity. Cooperatives Working Together (CWT) has accepted requests for export assistance to sell 5.880 million pounds (2,667 metric tons) of Cheddar and Monterey Jack cheese for delivery September 2012 through March 2013. During 2012, CWT assisted member cooperatives in making export sales of Cheddar, Monterey Jack and Gouda cheese totaling 91.6 million pounds.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	2.0925-2.7975
Brick And/Or Muenster 5#	:	2.3400-2.9000
Cheddar 40# Block	:	2.3400-3.3250
Monterey Jack 10#	:	2.3100-3.3250

WEST

Western cheese prices are higher across most varieties. The spot market at the CME Group moved above the \$2.0000 mark this week for both blocks and barrels. Daily price increases continue to clear offered loads. Cheese production in the West is behind last year as milk supplies are tighter to manufacturing plants. Buyers are looking to secure inventories ahead of price increases when available. Export demand has slowed due to higher prices, but the CWT program continues to aggressively support sales to the export market. This week the program included 5.9 million pounds for future delivery through March of 2013. Total export assistance this year is now at 91.6 million pounds. Cheese prices at the CME Group are higher. Barrel trading at the CME Group on Wednesday closed up \$.0400 at \$2.0400. Blocks are up \$.0325 at \$2.0825. Trading has been light to moderate this week with no sales for barrels and ten loads of blocks sold by Wednesday's close. According to NASS, *Cold Storage* stocks of cheese (total) at the end of August 2012 are 1,003.1 million pounds, down 6% or 62.2 million pounds less than August 2011. American stocks were 5% lower, and Other Natural stocks were 7% lower than last year. Swiss stocks at the end of August total 28.8 million pounds, down 14% or 4.8 million pounds less than August 2011. August Swiss stocks in storage are 6% lower or 1.8 million pounds less than the previous month.

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CHEESE MARKETS

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WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	2.0250-2.2825
Cheddar 40# Block	:	2.0775-2.4300
Cheddar 10# Cuts	:	2.2575-2.4775
Monterey Jack 10#	:	2.2675-2.4275
Grade A Swiss Cuts 6 - 9#	:	2.9425-3.3725

FOREIGN

The CME Group weekly average block price moved higher, increasing domestic wholesale cheese prices by \$0.1025. Domestic Swiss and imported cheese prices were unchanged. According to FAS, October 1, is the last transmission date for licensees to surrender the unused portion of their calendar year 2012 licenses. October 15, is the last transmission date for all import applications for calendar year 2013 licenses.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

VARIETY	:	NEW YORK	
		IMPORTED	DOMESTIC
Blue	:	2.6400-5.2200	2.4925-3.9800*
Gorgonzola	:	3.6900-6.1900	2.9950-3.4500*
Parmesan (Italy)	:	-0-	3.8825-5.9725*
Provolone (Italy)	:	3.4400-5.5800	2.5350-2.6925*
Romano (Cows Milk)	:	-0-	3.6825-5.8325*
Sardo Romano (Argentine)	:	2.8500-3.9800	-0-
Reggianito (Argentine)	:	3.2900-4.2900	-0-
Jarlsberg-(Brand)	:	2.9500-5.2900	-0-
Swiss Cuts Switzerland	:	-0-	3.4575-3.7800
Swiss Cuts Finnish	:	2.5900-2.8500	-0-

* = Price change.

WEEKLY COLD STORAGE HOLDINGS - SELECTED STORAGE CENTERS
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

BUTTER : CHEESE

	:	
09/24/12	10,822	121,526
09/01/12	11,404	124,789
CHANGE	-582	-3,263
% CHANGE	-5	-3

FLUID MILK AND CREAM

EAST

SPOT SHIPMENTS OF GRADE A MILK INTO OR OUT OF FLORIDA & SOUTHEASTERN STATES

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	120	0	120	0	91	0
SOUTHEAST STATES	65	0	65	0	0	0

Strong Class I demand in combination with seasonably low milk production continues to cause tight manufacturing milk supplies in the Northeast and Mid-Atlantic regions. Harvest operations are very active and ahead of last year's pace in both regions with crop conditions described as mostly fair to good. An increase in forage feeding this year has dairy producers concerned that hay shortages may occur this winter. The lower yields in the corn crop and higher grain prices have contributed to the increase in forage rations. Milk production is beginning to show marginal increases as mild weather has improved cow comfort levels. Milk production in Florida is beginning to show some marginal increases as cows begin to freshen and are added to the milking herd. Class I demand remains strong, prompting 120 spot loads to be imported this week. Frequent rains and warm temperatures have promoted good pasture and hay regrowth, but some pastures are too wet to allow cattle to graze. Milk production is picking up in the Southeast region as cooler weather has improved cow comfort levels. Class I demand remains steady at increased levels and continues to be greater than available supplies can meet, prompting 65 spot loads to be imported this week. Load rejections due to aflatoxin have increased in the region. Milk shipments to auxiliary manufacturing plants are being held to their contract minimums. Cream continues to be readily available with good volumes of standardized cream from bottling plants adding to the overall supply. Supplies are adequate to meet demand. Demand for cream has declined marginally as ice cream manufacturers are lowering production schedules along the seasonal trend and most butter makers are not yet ready to expand production and inventories for the upcoming holidays. The decrease in demand has resulted in some cream loads being shipped out of region. Cream multiples ranged from 128-136 this week. Condensed skim milk supplies remain very tight in the East as manufacturing milk supplies have been reduced; due to a combination of strong Class I demand and overall seasonably lower milk production. The higher prices received for nonfat dry milk have caused premiums to increase for those looking for additional loads of condensed skim. Most powder plant operators are not inclined to sell condensed skim, because of their concern to meet their future nonfat dry milk commitments. According to NASS, milk production for August 2012 in the 23 reported states totaled 15.3 billion pounds, down 0.2% from August 2011. Milk production increased in 3 of the 5 listed states in the Eastern region. Eastern region production increased 0.5% over the same month last year to 2,504 million pounds. The 5 states showed the following percentage changes in milk production from August 2011 to August 2012 and total milk production this August: Florida, +3.6%, 173 million pounds; New York, +1.9%, 1,110 million pounds; Pennsylvania, -1.7%, 869 million pounds; Vermont, +0.9%, 214 million pounds; and Virginia, -1.4% at 138 million pounds. Milk cow numbers for August 2012 increased in only 1 of the 5 listed states of the Eastern region with 2 states declining and 2 states unchanged. As a region, cow numbers were 1,000 head (-0.1%) less compared to the same period last year.

Individual state cow numbers compared to August 2011 and cows remaining as of this August are: Florida, 4,000 increase, 123,000 remaining; New York, unchanged, 610,000 remaining; Pennsylvania, 4,000 decrease, 535,000 remaining; Vermont, 1,000 decrease, 133,000 remaining; and Virginia, unchanged, 96,000 remaining.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, DOLLARS PER LB. BUTTERFAT:

F.O.B. producing plants: Northeast -	2.3936-2.5432
F.O.B. producing plants: Upper Midwest -	2.3188-2.4684

PRICES OF CONDENSED SKIM, DOLLARS PER LB. SOLIDS,

F.O.B. PRODUCING PLANTS:

Northeast - Class II - includes monthly formula prices -	1.41 - 1.55
Northeast - Class III - spot prices -	1.44 - 1.49

MIDWEST

Farm milk continues to trend lower seasonally in the Mid to North Central areas. Recent changes in intake volumes noted at a few cooperative-owned facilities relate to gains/losses in membership rather than changes in overall milk production trends. Competition among milk handlers and/or cooperatives for milk from large dairy producers continues to affect plant intakes throughout the region. Spot milk load interest in the Central region varies widely. As production of holiday gift pack cheese varieties begins, some cheese plants are actively scouting for spot milk loads. Some handlers indicate their customers are comfortable with contract volumes, but others recorded sales topping \$1.50 - \$2.00 in premiums to the market within the region. A few rBST-Free milk loads are capturing premiums nearing \$3.00. Demand from East/Southeast bottlers pulled a few Central spot milk loads into those areas this week. Milk handlers anticipate that may continue off and on for the next few weeks. Cream multiples are mostly unchanged in the Central region compared to last week. A few end users indicated West spot cream load availability dropped this week and Central cream loads tightened with the arrival of Q4 retail butter orders. Churning is active throughout the region. Class II cream multiples are expected to increase, starting next week, as production of cream cheese, heavy cream and other holiday related items is expected to trend higher through October.

WEST

CALIFORNIA milk production is trending slightly higher. Weather conditions have improved and are more conducive to milk output. Seasonal temperature declines are also factoring into the trend. Other financial conditions remain a consideration in milk production. Costs of production factors are high and concerns continue about the financial stress on the producer side of the dairy industry, even as dairy products and milk prices rise. Processing plants in the state are running on low to moderate pacing. Maintenance and repairs are being done at various locations. There are no reported issues handling the milk supplies in the state. August 2012 POOL RECEIPTS of milk in CALIFORNIA total 3.19 billion pounds, 5.0% lower than last year, according to CDFA. Year to date receipts, unadjusted for leap year in 2012, are running 3.9% higher than a year earlier. The August blend price, at a fat test of 3.67%, is \$16.49, \$1.42 higher than July, but \$3.74 less than August 2011. The percentage of receipts used in Class 1 products is 15.2%.

CONTINUED ON PAGE 4A

FLUID MILK AND CREAM

CONTINUED FRM PAGE 4

The August quota price is \$17.48 and the over quota price is \$15.78. These prices are \$1.34 higher than July, but \$3.75 lower than a year ago. Milk production in ARIZONA is moving higher and reflective of better weather conditions in the state. Temperatures are trending lower for daytime highs and at nighttime. The humidity levels are also declining and the forecast is for dry conditions. Processing plants are running on moderate schedules. There are some facilities performing maintenance and renovations on at least part of their plants. There is a level call from Class I processors to handle school and retail accounts. Western CREAM prices are trending higher, reflecting the higher butter price and averages utilized. The overages and multiples are mainly steady. Cream movements out of California are active ahead of the upcoming October Class 2 price change, which will increase prices and effectively lower demand for out of state shipments. There is an uneven call for cream from ice cream accounts. Regular needs are present and some producers are seeking additional cream. Production of higher class products is trending higher. Some staging for upcoming holidays is building. Demand is good to fill fall needs. Butter producers are welcoming cream to fill current and future needs. Higher butter prices are developing and have spurred additional demand, that producers are often not having the butter to fill. At the CME, the Grade AA butter price increased to \$1.9400 on Wednesday, September 26, up \$.0725 from a week earlier. Cream multiples are unchanged and range 120 to 136, and vary depending on basing points and averages. Milk production in the PACIFIC NORTHWEST remains mostly steady following seasonal expectations. Milk volumes are below year ago levels, but are adequate for most needs. Milk continues to be moved within the region to optimize production schedules and fill contracted orders. Cooler fall weather is making for contented, comfortable cows and is helping to maintain production volumes. Fall harvest of both grain and forage is moving along at an uninterrupted pace. Feed costs going into the 4Q are being weighed against expected milk prices with some new balancing of rations being considered. UTAH and IDAHO milk supplies are tighter than last year. Supplies are adequate for current manufacturing needs. There are some discussions amongst processors concerning increased demand for milk as manufacturing needs are anticipated to increase with new plants coming on line in the near future. Dairy farmers have been reluctant to expand herds until they are more certain of profitable returns for their milk. The weather has been ideal for fall harvest activities.

NONFAT DRY MILK, BUTTERMILK & WHOLE MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: Central nonfat dry milk prices are unchanged on the mostly price series. Many market participants indicate that U.S. prices are idling as the market sorts through domestic and international supply/demand information. With availability of resale loads at competitive prices, some buyers indicate they are filling current needs actively through that avenue. Producers, too, indicate that buyers are hesitant to step up to higher priced spot NDM offers. Sales and shipment of contract loads of NDM are on schedule at most manufacturing locations, with no pushback from buyers noted. Condensed skim interest is steady into Class II. A few ice cream facilities indicate condensed skim spot load demand could not be fully satisfied. Interest in Class III milk and condensed skim for Class III production is steady to higher as the season for preparation of cheese gift boxes advances. This is taking condensed skim drying opportunities away from NDM manufacturers. Some cheese plants reverted to NDM use for vat fortification. Nonfat dry milk production is steady, but well below the collective regional plant capacities. Some organizations with multiple end products indicate cheese production is claiming more milk than nonfat dry milk at this time, due to the pressures of standing cheese orders and other factors. Most NDM production is trending toward low heat NDM with intermittent runs of high heat to replenish inventories for contract fulfillment. Low heat NDM inventories are adequate at most plants for near term contract fulfillment. Some manufacturers expect spot market participation will be delayed until the new milk production season begins.

EAST: Nonfat dry milk prices were unchanged on the low heat mostly range and marginally higher on high heat. Strong Class I pulls in combination with seasonally declining milk production have significantly tightened the manufacturing milk supply and reduced production of nonfat dry milk. The limited manufacturing milk supplies are allowing some nonfat dry milk plant managers to focus on high heat and/or specialty production. Other plants have delayed contract deliveries due to the tight supplies and limited production schedules. Current production is moving through contracts with little available for the spot market. Demand has declined as a number of end users have adequate supplies and ice cream manufacturers are using less product as their production schedules have slowed along the seasonal trend. The tight manufacturing milk supplies continue to concern plant managers and their ability to meet their future nonfat dry milk commitments. The market undertone remains firm.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: 1.3800 - 1.8000 MOSTLY: 1.4500 - 1.6500
 HIGH HEAT: 1.5000 - 1.9000

NONFAT DRY MILK - WEST

Price gains are noted for the both the range and mostly series for Western low/medium heat nonfat dry milk. Pricing at the bottom ends are trending higher and generally reflecting the steady incremental increases in state and national pricing indices. Resistance to the higher prices at or near the top end of the range is common, with buyers less willing to pay top dollar to secure loads. Additional offers are appearing in the resale trade in the \$1.60's. International pricing is mainly below U.S. pricing, which is putting more pressure on pricing levels. Without export volumes, product

would not move to allotted channels. Domestically, there is fair to good interest from cheese makers as cheddar cheese prices move over \$2 per pound. There are cheese makers who will utilize NDM to standardize/fortify cheese vats with the current pricing relationships, especially in areas where milk is short of needs. Low heat production is steady to trending slightly higher. Demands of other classes of products are still limiting NDM production and projections will keep output lighter. Producers are attempting to keep up with orders. High heat prices are moving slightly higher on the bottom end of the wide range. The market tone is steady to slightly firm. Product availability is light with limited producer offerings. Seasonal demand has been developing for baking and confectionary accounts. Production runs are sporadic. There are drying times available. Some producers are catching up on low heat orders, while others are making some additional high heat to catch up. Stocks are light.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: 1.3600 - 1.7000 MOSTLY: 1.4000 - 1.6500
 HIGH HEAT: 1.4000 - 1.7500

DRY BUTTERMILK - CENTRAL AND EAST

CENTRAL: Central dry buttermilk prices shifted higher, with strong spot sales and market plus contract pricing supporting the increases. Contract fulfillment of dry buttermilk loads is steady into snack accounts, and steady to higher into baking accounts as seasonal production of holiday items begins. Dry buttermilk production is active this week as demand for Class II cream declined slightly into ice cream and frozen dessert production facilities. With the arrival of early Q4 butter orders, some butter/powder plants chose to keep cream loads to rebuild butter and dry buttermilk inventories. Demand for cream for cream cheese and heavy cream production is expected to increase markedly in early October. This is expected to draw down the near term supply of cream clearing through churns and decrease dry buttermilk production. Inventories of dry buttermilk are steady to building.

EAST: Dry buttermilk prices moved significantly higher as spot sales and transactions based on price indices moved both ends of the range higher. Production of butter and dry buttermilk is limited in the East as most butter makers are not yet increasing production or expanding inventories for the upcoming holidays. Supplies remain fairly tight and held in firm hands. Some additional supplies have become available on the spot market as ice cream manufacturers have lowered their production schedules and usage of dry buttermilk, which is typical for this time of year. Demand is good from baking manufacturers. Other manufacturers who use nonfat dry milk are also looking at dry buttermilk as a lower cost alternative. Resale activity remains light. The market undertone continues to be firm.

F.O.B. CENTRAL/EAST: 1.4225 - 1.6700

CONTINUED ON PAGE 5A

NONFAT DRY MILK, BUTTERMILK & WHOLE MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

CONTINUED FROM PAGE 5**DRY BUTTERMILK - WEST**

Western dry buttermilk prices continue to trend higher in light trading. The market tone remains firm. The market trend is moving higher, reflecting momentum trading and crossover trends of the nonfat dry milk markets moving higher. Buyers are finding little extra offerings being made by manufacturers or even in the resale market. Some additional trades were reported in other regions. Production levels have remained lighter than projections with the lower than planned butter production in the region. Stocks remain light.

F.O.B. WEST: 1.3200 - 1.6000 MOSTLY: 1.3800 - 1.4800

DRY WHOLE MILK - NATIONAL

Dry whole milk prices are higher on a firmer market. As the 2013 contracting period approaches, some manufacturers are preparing and sending out fresh dry whole milk samples to potential end users for testing and consideration. Dry whole milk contract fulfillment is active into confectionary accounts. Inventories are steady, with additions made as manufacturing milk intakes allow.

F.O.B. PRODUCING PLANT: 1.6000 - 1.7300

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
September 21	\$1.3204	8,161,824	0
September 14	\$1.3013	8,650,299	0

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

WHEY, WPC 34%, LACTOSE & CASEIN

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

DRY WHEY - CENTRAL

Central dry whey prices are unchanged to slightly higher on the range and mostly price series. Interest is steady. According to some market contacts, the Central dry whey market is approaching/at a price plateau. Several resellers currently have dry whey spot loads available that compete pricewise with manufacturers' spot offerings. Contract shipments are steady from most producers' facilities, although a few report load weights are reduced to help spread dry whey inventories among their full customer base. Some Central dry whey loads are also filling gaps in the East dry whey supply line. Dry whey production is steady to lower within the region. A few plants indicate they obtain spot loads of milk from time to time, but most cheese and dry whey production schedules are pinned below capacity volumes until the new milk production season arrives. Dry whey sellers and buyers are launching discussions concerning 2013 contracting, although interest is mixed. The industry alternately endured over and under supplies this year, with attendant price swings. Many market participants hope to smooth out the peaks and valleys on prices and supplies in the upcoming year.

F.O.B. CENTRAL: .5550 - .6250 MOSTLY: .5700 - .6000
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .4350 - .5800

DRY WHEY - NORTHEAST

Dry whey prices continued to move higher this week as transactions based on price indices increased both ends of the price range. Manufacturing milk supplies remain tight and are limiting cheese and dry whey production. Current supplies are moving through contracts with little available for the spot market. Any available supplies are being held in firm hands as manufacturers are not inclined to sell loads on an upward trending market. Resale activity continues to be light. Demand for dry whey has moderated slightly as ice cream production has declined in some areas. Buyers looking for additional loads have had limited success looking outside the region. The market undertone remains firm.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .6150 - .6325

DRY WHEY - WEST

Western whey prices are mixed as both the range and mostly price series spread wider. Overall, prices are mostly steady with slight adjustments due to various contract indices. This week saw some weakness in export prices as European whey prices were reported to be softer. The market tone remains mostly steady. Cheese production in the West is reduced some due to tighter milk supplies. Subsequently, available whey stream products are tighter. Whey production is adequate to fill contract needs with spot needs being serviced more through brokers. Some sales are being reported from the resale market above the mostly series. Demand is good as buyers look to obtain inventory for fall and holiday needs.

NONHYGROSCOPIC: .5700 - .6300 MOSTLY: .5800 - .6225

EVAPORATED MILK - NATIONAL

On September 27, 2012, the Kansas City Commodity Office announced the awarding of one contract for a total of 223,074 pounds of evaporated milk related to Bid Invitation Number 2000001338, Description AG-DPRO-S-12 -0155. The evaporated milk, packed in 24/12 oz. cans, is scheduled for November - December 2012 deliveries at various locations throughout the country. Accepted prices ranged from \$0.6289 - \$0.6796/lb. No further bids will be considered under this solicitation number.

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Steady interest in whey protein concentrate 34% is maintaining the current firm pricing trend. Two additional factors are also supporting the trend: the price gap between WPC 34% and nonfat dry milk, and shortfalls in WPC 34% contract fulfillment from some suppliers. The contract shortfalls have channeled some buyers into the marketplace at large, where they hope to fill in supply gaps through the balance of the year. Interest in establishing new/increased quantity contracts for WPC 34% for Q4 and 2013 is rising for some end users as spot market availability of suitable quality WPC 34% has fallen short in recent weeks. Spot market demand from the Far East is steady to higher, according to some manufacturers. Production of WPC 34% is steady to lower, depending on cheese milk supplies. Various manufacturers report WPC 34% inventories are unchanged to lower as regional milk supplies trend lower seasonally.

F.O.B. EXTRA GRADE 34% PROTEIN: 1.1900 - 1.3425 MOSTLY: 1.1925 - 1.2325

LACTOSE - CENTRAL AND WEST

The lactose market is mostly steady as the third quarter nears an end for many manufacturers and buyers. Fixed price fourth quarter contracts will begin next week for many sellers and buyers, while some contracts based on variable indices may delay the start of new pricing agreements for another week. Some Q4 contract negotiations are ongoing. Current lactose production is both lower and higher from plant to plant. As milk handlers allocate farm milk throughout their customer base, a few plants note their overall milk intakes are falling, yielding less cheese and whey stream products. Other locations gained farm milk volumes recently, raising lactose production near to plant capacities. Availability of spot loads of lactose is uneven. Pushback on some contract loads freed up some inventories for spot load offerings from some manufacturers. Other producers have no spot loads on the floor at this time.

Including spot sales and up to 3 month contracts.
F.O.B. EDIBLE, NON PHARMACEUTICAL .6650 - .9575 MOSTLY: .7800 - .8700

CASEIN - NATIONAL

Although casein markets and prices are firm, domestic buyers question suppliers and handlers about the sustainability of this trend. The European production season is now basically completed for 2012 and suppliers feel that stocks are in close balance with needs. Some traders/suppliers are indicating that they are getting offers from more sources than usual and prices are firm. Many of these additional offers are going unacknowledged. The Oceania production season is just getting underway and early reports indicate that some plants are up and running, while others are still shuttered. Milk production trends in the Oceania region are developing very positively, thus casein production should soon be occurring at all facilities. For the most part, U.S. buyers are indicating that they are getting their contracted volumes as scheduled.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 3.7500 - 4.4000
ACID: 4.3500 - 4.7500

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS EFFECTIVE NOVEMBER 1, 2009

BUTTER Bulk \$1.05 per pound; **CHEESE** 40# Blocks \$1.13 per pound; 500# Barrels \$1.10; **NONFAT DRY MILK** \$.80 per pound

The CCC Purchase table will no longer be shown unless purchases occur. Last CCC purchase: October 2009.

U.S. Dairy Cow Slaughter (000 head) under Federal Inspection & Comparable Week 2011

WEEK ENDING	WEEKLY DAIRY COWS	2012 CUMULATIVE DAIRY COWS	2011 WEEKLY DAIRY COWS	2011 CUMULATIVE DAIRY COWS
09/08/2012	55.9	2,097.2	49.0	1,972.7

WEBSITE: http://www.ams.usda.gov/mnreports/sj_ls714.txt

SOURCE: The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

CLASS III MILK PRICES (3.5% BF)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2008	19.32	17.03	18.00	16.76	18.18	20.25	18.24	17.32	16.28	17.06	15.51	15.28
2009	10.78	9.31	10.44	10.78	9.84	9.97	9.97	11.20	12.11	12.82	14.08	14.98
2010	14.50	14.28	12.78	12.92	13.38	13.62	13.74	15.18	16.26	16.94	15.44	13.83
2011	13.48	17.00	19.40	16.87	16.52	19.11	21.39	21.67	19.07	18.03	19.07	18.77

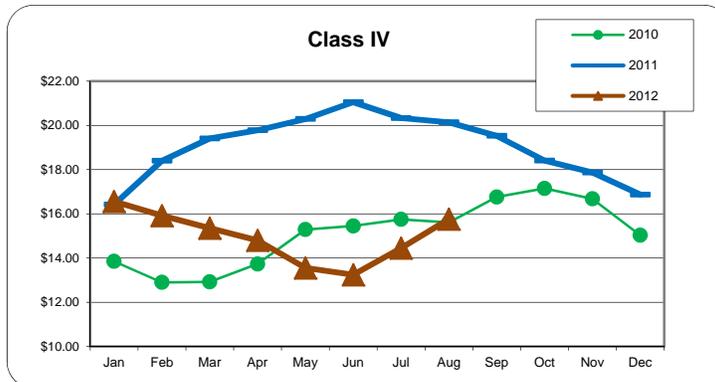
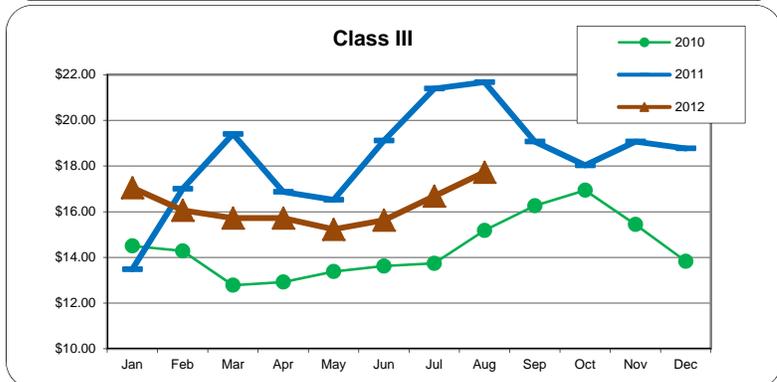
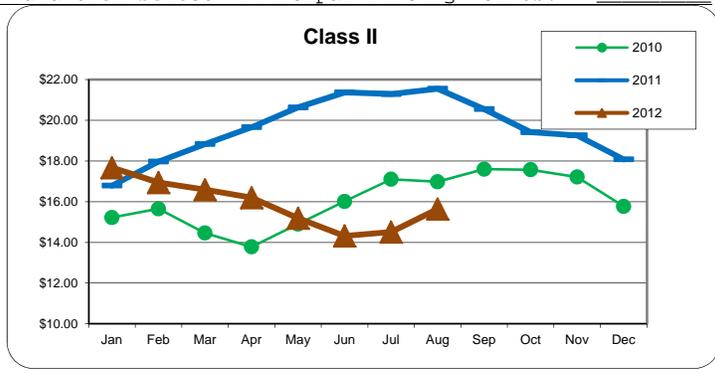
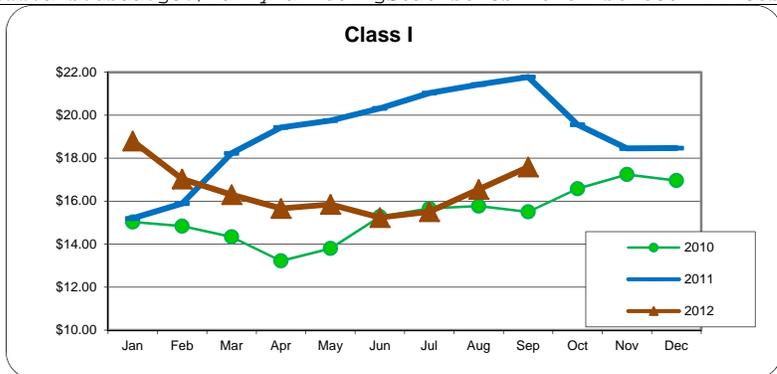
CLASS IV MILK PRICES (3.5% BF)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2008	16.29	14.67	14.17	14.56	15.26	15.92	16.60	16.64	15.45	13.62	12.25	10.35
2009	9.59	9.45	9.64	9.82	10.14	10.22	10.15	10.38	11.15	11.86	13.25	15.01
2010	13.85	12.90	12.92	13.73	15.29	15.45	15.75	15.61	16.76	17.15	16.68	15.03
2011	16.42	18.40	19.41	19.78	20.29	21.05	20.33	20.14	19.53	18.41	17.87	16.87

FEDERAL MILK ORDER CLASS PRICES FOR 2012 (3.5%)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	18.80	17.03	16.30	15.66	15.85	15.24	15.51	16.55				
II	17.67	16.94	16.59	16.20	15.19	14.32	14.51	15.64				
III	17.05	16.06	15.72	15.72	15.23	15.63	16.68	17.73				
IV	16.56	15.92	15.35	14.80	13.55	13.24	14.45	15.76				

1/ Specific order differentials to be added to this base price can be found by going to: www.ams.usda.gov/DairyMarketingStatistics; then select "Prices"; and then select "Principal Pricing Points."



INTERNATIONAL DAIRY MARKET NEWS - EUROPE

Information gathered September 17 - 28, 2012

Prices are U.S. \$/MT, F.O.B. port. Information gathered for this report is from trades, offers to sell, and secondary data. This bi-weekly report may not always contain the same products and/or regions. Future reports may be included or withdrawn depending on availability of information. MT = metric ton = 2,204.6 pounds.

WESTERN OVERVIEW: Milk production in Europe continues to seasonally decline. Production trends from one country to another are mixed, but cumulatively, production is steady to slightly lower than last year at this time. Early fall weather patterns are quite typical for this time of the season, thus they are not having any significant negative or positive impact on milk production trends. As milk production declines and when possible, milk volumes appear to be directed toward butter/powder production. Milk producers are stating that herd conditioning is in pretty good shape as the winter season approaches. Supplies of manufactured dairy products are snug. Producers are very cautious with their commitments especially for the balance of the calendar year. Many traders are anticipating an announcement of a dairy product tender within the next few days and question what level of participation European suppliers might have with that tender. With supplies as tight as they are, participation with this tender will potentially clean up any uncommitted stocks that are available. Traders are speculating that the tender will seek an unknown volume of butterfat, skim, and whole milk powder for December - March delivery. Other international buyer interest is occurring, but tight supplies are limiting significant sales activity. The PSA butter storage program closed mid-August, thus volumes are now eligible to clear back into the market. Traders and handlers are indicating that some butter is in the marketplace, but volumes appear to not be negatively impacting butter markets. Of the total offering to the program during the open season, 133,305 MT, figures are not available as to how much has returned to the marketplace at this time.

BUTTER/BUTTEROIL: European butter markets and prices are generally holding steady. As the milk production season declines, thus is churning activity. Stocks of butter are reported to be snug and limited. Some PSA butter is re-entering the marketplace, but traders are indicating that these volumes are having minimal impact on the market at this time. Many traders are anticipating an announcement of a dairy product tender within the next few days and question what level of participation European suppliers might have with that tender. Producers and handlers are speculating that the tender will seek an unknown volume of butterfat and milk powders for December - March delivery.

82% BUTTERFAT:	3,950 - 4,200
99% BUTTERFAT:	4,550 - 4,900

SKIM MILK POWDER (SMP): Skim milk powder markets are steady to firm with prices unchanged to generally higher. Stocks of powder are limited with producers and handlers very cautious with their commitment for the balance of the year. Drying schedules are easing as milk volumes are seasonally declining. When possible, producers and manufacturers are indicating that butter/powder production appears to be getting the late season milk tilt versus other manufactured dairy product. Traders are anticipating an announcement of a dairy product tender within the next few days and question what level of participation European suppliers might have with that tender. With supplies as tight as they are, participation with this tender will potentially clean up any uncommitted stocks that are available. Traders are speculating that

the tender will seek an unknown volume of skim milk powder along with butterfat and whole milk powder for December - March delivery.

1.25% BUTTERFAT:	3,375 - 3,600
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SWEET WHEY POWDER: The whey powder market tone is mixed with prices unchanged to generally lower. Milk production is declining seasonally, thus is cheese and whey output. Stocks of whey powder are snug and producers and handlers are very cautious with their commitments. Buyer interest continues, but international buyers are finding European supplies limited and prices are firmer than they are willing to pay if available.

NONHYGROSCOPIC:	1,275 - 1,400
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WHOLE MILK POWDER (WMP): Whole milk powder markets and prices are steady to firm. Whole milk powder production is declining seasonally following milk production trends. Traders are indicating that it is very difficult to locate powder volumes for potential customers, especially for international buyers. Producers and manufacturers are very cautious with their commitments and offering very little volume for the balance of the year. Many traders are anticipating an announcement of a dairy product tender within the week and question what level of participation European suppliers might get with that tender. Supplies are tight and participation with this tender will potentially clean up any uncommitted stocks that are available. Traders are speculating that the tender will seek an unknown volume of whole milk powder along with skim milk powder and butterfat for a delivery period of December - March.

26% BUTTERFAT:	3,775 - 3,950
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EASTERN OVERVIEW: Milk production in Eastern Europe continues to decline seasonally. Many Eastern European countries have experienced a good milk production season this year and this trend is continuing at this time. Reports indicate that milk output in Poland is running over 7% ahead of last year for the 8 month period of January - August. Although milk output has been and continues on the positive side in many countries, stocks of manufactured dairy products are not as heavy as they have been in past years. Producers and handlers are cautious with their commitments and are waiting to see what level of participation they might get with an upcoming dairy product tender that is anticipated to be announced within the week.

Exchange rates for selected foreign currencies: September 24, 2012

1.0220 Canadian Dollar	.0187 Indian Rupee
.2134 Argentina Peso	.8230 New Zealand Dollar
.0774 Mexican Peso	1.0425 Australian Dollar
.3116 Polish Zloty	.0128 Japanese Yen
	1.2931 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0774) = 12.9199 Mexican Pesos. Source: "Wall Street Journal"

INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

Information gathered September 17 - 28, 2012

Prices are U.S. \$/MT, F.O.B. port. Information gathered for this report is from trades, offers to sell, and secondary data. This bi-weekly report may not always contain the same products and/or regions. Future reports may be included or withdrawn depending on availability of information. MT = metric ton = 2,204.6 pounds.

OVERVIEW: Milk production in the Oceania region continues to seasonally build with New Zealand producers realizing a stronger start to the current milk production season versus their Australian counterparts. Early spring weather patterns in Australia have been cool and in instances cold and wet. Milk producers and handlers are indicating that these early spring conditions are not overly conducive to positive growth, but also state that it is still early and most project that steady/positive growth is still to come. August milk production in Australia was 2.9% heavier than August 2011 with year to date output 3.3% ahead of last season. Most milk producers and handlers are projecting milk output during the upcoming season in Australia to be in the 1 - 2% growth range over recent years, outside of last season. Some milk handlers are even feeling that output might be comparable to last year. In New Zealand, the milk production season is well underway and early reports indicate that output is running heavier than last year at this time. Milk producers and handlers are very pleased with production trends and are hopeful that they continue. Early season projections for the year are much the same as they have been for the past few weeks, 3 - 4% over output of two years ago. Producers state that the strong finish and positive total output from last season would be difficult to duplicate again, but a positive trend is expected. Milk producers indicate that herd health and conditioning in both New Zealand and Australia are the best they have been for a number of years. An El Nino weather pattern during the upcoming summer months continues to enter conversations. Producers feel that water levels are sufficient to ward off significant damage to the industry in Australia while New Zealanders may not be as fortunate. Australia has a water reserve resource and an irrigation framework that will greatly help lessen dry conditions where as New Zealand is dependent on regular rainfall to maintain pasture and paddock growth. Traders and handlers are reporting that sales activity has absorbed a significant portion of first quarter milk production and subsequent product production. Although second quarter commitments are well underway, some traders and handlers are more cautious with their commitments for this period, at least until they get a better picture on how the milk production season is developing. Average prices at the last g/DT auction on September 18 were mixed, although a firm trend continues for many products. Prices for skim and whole milk powder, casein, and cheddar cheese were firm with anhydrous milk fat, butter milk powder, and milk protein concentrate easing. The average price for U.S. sourced skim milk powder for contract #1 (October) delivery was down 4.6% from the previous auction with the balance of New Zealand sourced skim milk powder ranging 2.9% - 7.2% higher for various contracting periods. On September 28, it was announced that Fonterra will start offering salted and unsalted butter in 25 kg cartons from trading event #86 on February 19, 2013. The next event, #77 will be held on Tuesday, October 2.

BUTTER: Oceania butter markets and prices are firm. The 2012 - 2013 milk production season is on the increase in the Oceania region, thus is butter output. New Zealanders are experiencing an earlier start to the season versus their Australia counterparts, which is a typical trend. Although milk output in Australia is slower to develop, Australian milk producers and butter manufacturers are very optimistic about the upcoming production season. Current churning schedules are in line with early projections and stocks are starting to clear to contractual buyers. For the most part, stocks are fully committed and spot availability is limited for this time of the production season. A significant portion of first quarter production is fully committed with 2nd quarter commitments being finalized. Many suppliers are cautious with their second quarter commitments until they have a better picture of how the milk production season is developing. On September 28, it was

announced that Fonterra will start offering salted and unsalted butter in 25 kg cartons from trading event #86 on February 19, 2013.

82% BUTTERFAT: 3,000 - 3,500

SKIM MILK POWDER (SMP): Skim milk powder markets and prices in the Oceania region are firm. The milk production season is just getting underway in the region, thus butter/powder production is also on the increase. Powder production is the most active in New Zealand as milk production trends are developing a few weeks earlier than their Australian counterparts. Stocks of powder are limited, but generally are keeping pace with early season projections and customer commitments. Traders and handlers are indicating that demand is basically absorbing all current production with very minimal, if any, uncommitted volumes being reported. In most instances, international commitments are absorbing the bulk of current production. Often, ongoing/regular customers are questioning suppliers for additional volumes with most of these inquires going unfilled at this time. At the September 18 g/DT event, skim milk powder prices averaged \$3,339 per MT for all contracting periods, +4.7%. U.S. sourced stocks averaged \$3,500 per MT, down 4.6% from the previous event while all other contracting periods (2 - 5, November - February) for Oceania sourced powder were 2.9 - 7.2% higher.

1.25% BUTTERFAT: 3,200 - 3,600

CHEDDAR CHEESE: Cheddar cheese markets are firm in the Oceania region with prices unchanged to generally higher. The Oceania milk production season is just getting underway, thus cheese production is also on the increase. Manufacturers and handlers are indicating that early season cheese output is basically in line with projections with some cheese manufacturers stating that cheese runs may be slightly heavier than previous years for this time of the season. Many Oceania dairy product manufacturers are indicating that milk volumes appear to be stronger this year versus other years and are attributing the trend to the positive end to the previous year and good herd conditioning going into the new production season.

39% MAXIMUM MOISTURE: 3,600 - 4,000

WHOLE MILK POWDER (WMP): Oceania whole milk powder markets are firm with prices unchanged to generally higher. Supplies of new powder are being generated as the milk production season in New Zealand and Australia resumes. Early reports indicate that milk output in New Zealand is running heavier than last year at this time, thus driers are seasonally absorbing more milk. Plant capacities are not being challenged at this early stage of the season. Australian powder production is not as strong as New Zealand's, as milk production trends typically lag New Zealand trends by a number of weeks. Overall, whole milk powder stocks and shipments are in line with early

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US\$/MT	Global/Dairy Trading (g/DT) Event 76 Recap - September 18, 2012													
	Contract 1 Oct-12		Contract 2 Nov-12		Contract 3 Dec-12		Contract 4 Jan-13		Contract 5 Feb-13		Contract 6 Mar-13		All Contracts	
Anhydrous Milk Fat	n.a.	\$3,072	-10.1%	\$3,197	-8.8%	\$3,232	-10.6%	\$3,285	-10.3%	\$3,850	-7.9%	\$3,199	-9.8%	
Buttermilk Powder	n.a.	\$2,970	-3.3%	\$3,125	-0.6%	\$3,070	-0.5%	n.a.	n.a.	n.a.	n.a.	\$3,029	-2.0%	
Cheddar	n.a.	\$3,795	3.4%	\$3,411	-2.7%	\$3,757	4.3%	n.a.	n.a.	n.a.	n.a.	\$3,589	1.0%	
Lactose	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Milk Protein Concentrate	n.a.	\$5,885	-4.4%	\$6,000	-2.7%	\$6,055	-2.7%	n.a.	n.a.	n.a.	n.a.	\$5,953	-3.4%	
Rennet Casein	n.a.	\$8,078	3.1%	\$8,210	5.6%	\$8,210	4.4%	n.a.	n.a.	n.a.	n.a.	\$8,145	4.2%	
Skim Milk Powder	\$3,500	-4.6%	\$3,302	6.0%	\$3,340	4.0%	\$3,361	2.9%	\$3,415	7.2%	n.a.	\$3,339	4.7%	
Whole Milk Powder	\$2,930	n.a.	\$3,081	4.1%	\$2,992	0.4%	\$3,031	1.3%	\$3,020	0.4%	\$3,057	-0.1%	\$3,036	2.0%

Average price US\$/MT and % change in indices from previous event.

US\$/Pound	Global/Dairy Trading (g/DT) Event 76 Recap - September 18, 2012													
	Contract 1 Oct-12		Contract 2 Nov-12		Contract 3 Dec-12		Contract 4 Jan-13		Contract 5 Feb-13		Contract 6 Mar-13		All Contracts	
Anhydrous Milk Fat	n.a.	\$1.3935	-10.1%	\$1.4501	-8.8%	\$1.4660	-10.6%	\$1.4901	-10.3%	\$1.7463	-7.9%	\$1.4511	-9.8%	
Buttermilk Powder	n.a.	\$1.3472	-3.3%	\$1.4175	-0.6%	\$1.3925	-0.5%	n.a.	n.a.	n.a.	n.a.	\$1.3739	-2.0%	
Cheddar	n.a.	\$1.7214	3.4%	\$1.5472	-2.7%	\$1.7042	4.3%	n.a.	n.a.	n.a.	n.a.	\$1.6280	1.0%	
Lactose	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Milk Protein Concentrate	n.a.	\$2.6694	-4.4%	\$2.7216	-2.7%	\$2.7465	-2.7%	n.a.	n.a.	n.a.	n.a.	\$2.7003	-3.4%	
Rennet Casein	n.a.	\$3.6642	3.1%	\$3.7240	5.6%	\$3.7240	4.4%	n.a.	n.a.	n.a.	n.a.	\$3.6945	4.2%	
Skim Milk Powder	\$1.5876	-4.6%	\$1.4978	6.0%	\$1.5150	4.0%	\$1.5245	2.9%	\$1.5490	7.2%	n.a.	\$1.5146	4.7%	
Whole Milk Powder	\$1.3290	n.a.	\$1.3975	4.1%	\$1.3572	0.4%	\$1.3749	1.3%	\$1.3699	0.4%	\$1.3866	-0.1%	\$1.3771	2.0%

Average price US\$/pound and % change from previous event.

CHICAGO MERCANTILE EXCHANGE FUTURES

Selected settling prices, (open interest), and volume 1/

Month	09/13	09/14	09/17	09/18	09/19	09/20	09/21	09/24	09/25	09/26
CME - CLASS III MILK FUTURES (Pit-Traded)										
SEP 12	18.88 (4684) 0	18.87 (4704) 0	18.86 (4661) 0	18.86 (4644) 0	18.86 (4634) 0	18.95 (4752) 0	18.93 (4902) 0	18.95 (4868) 0	18.94 (4960) 0	18.94 (4832) 0
OCT 12	19.54 (4879) 0	19.97 (5053) 0	19.84 (5047) 12	19.97 (4982) 0	20.30 (5095) 5	20.28 (5132) 5	20.21 (5184) 0	20.14 (5174) 0	20.72 (5089) 5	20.89 (5265) 118
NOV 12	20.01 (4046) 0	20.39 (4125) 1	20.29 (4125) 0	20.56 (4280) 5	20.85 (4542) 5	20.83 (4767) 2	20.49 (4831) 0	20.31 (4882) 0	20.90 (4878) 0	20.89 (4945) 38
DEC 12	20.03 (3576) 0	20.21 (3621) 1	20.10 (3630) 0	20.25 (3671) 0	20.40 (3769) 1	20.26 (3837) 0	19.97 (3822) 0	19.76 (3836) 0	20.19 (3889) 0	20.11 (3911) 7
JAN 13	19.64(1486) 0	19.84 (1522) 5	19.75 (1524) 0	19.75 (1564) 0	19.95 (1555) 21	19.94 (1565) 0	19.70 (1555) 0	19.47 (1553) 0	19.72 (1560) 0	19.63 (1559) 0
FEB 13	19.18 (1273) 0	19.39 (1286) 0	19.32 (1282) 0	19.31 (1301) 0	19.48 (1296) 21	19.50 (1306) 0	19.32 (1289) 0	19.13 (1288) 0	19.37 (1288) 0	19.30 (1303) 0
MAR 13	19.06 (1115) 0	19.14 (1124) 0	19.09 (1126) 0	19.09 (1148) 0	19.29 (1162) 21	19.30 (1174) 0	19.17 (1142) 0	19.10 (1149) 0	19.21 (1166) 0	19.03 (1183) 0
APR 13	19.00 (850) 0	18.95 (860) 0	18.87 (860) 0	19.00 (885) 0	19.13 (906) 1	19.03 (912) 0	18.96 (912) 0	18.93 (915) 0	18.91 (935) 0	18.80 (958) 0
MAY 13	18.90 (688) 0	18.90 (692) 0	18.89 (693) 0	18.97 (712) 0	19.12 (739) 1	19.00 (738) 0	19.00 (772) 0	18.95 (778) 0	18.90 (792) 0	18.73 (818) 0
JUN 13	18.65 (614) 0	18.74 (620) 0	18.74 (620) 0	18.86 (668) 0	19.05 (681) 1	19.01 (694) 0	18.98 (720) 0	18.97 (727) 0	18.93 (728) 0	18.80 (743) 0
CME - CLASS IV MILK FUTURES (Pit-Traded)										
SEP 12	17.50 (119) 0	17.50 (119) 0	17.50 (119) 0	17.50 (119) 0	17.50 (119) 0	17.50 (119) 0	17.50 (119) 0	17.50 (119) 0	17.50 (119) 0	17.50 (119) 0
OCT 12	19.10 (86) 0	19.10 (86) 0	19.10 (86) 0	19.10 (86) 0	19.10 (86) 0	19.10 (86) 0	19.10 (86) 0	19.10 (86) 0	19.10 (86) 0	19.10 (86) 0
NOV 12	19.99 (73) 0	19.99 (73) 0	19.99 (73) 0	19.99 (73) 0	19.99 (74) 0	19.99 (74) 0	19.99 (74) 0	19.99 (74) 0	19.99 (74) 0	19.99 (74) 0
CME - CASH SETTLED BUTTER FUTURES (Electronic-Traded)										
SEP 12	183.00 (936) 0	183.00 (936) 0	183.00 (936) 0	183.00 (936) 0	183.00 (937) 1	182.73 (937) 4	182.50 (942) 4	182.50 (942) 0	182.53 (941) 3	182.53 (941) 4
OCT 12	187.00 (773) 2	187.00 (773) 0	187.00 (773) 0	187.00 (774) 6	188.00 (776) 6	191.00 (782) 9	191.00 (782) 0	193.50 (783) 6	194.00 (783) 0	194.25 (783) 0
NOV 12	184.00 (736) 6	185.25 (735) 1	185.25 (735) 0	185.25 (735) 4	187.00 (733) 6	189.50 (734) 11	189.50 (734) 0	194.00 (733) 3	194.00 (733) 0	194.00 (733) 0
CME - NONFAT DRY MILK FUTURES (Pit-Traded)										
SEP 12	140.00 (346) 0	140.00 (346) 0	140.00 (346) 0	140.00 (346) 0	140.00 (346) 0	140.00 (346) 0	140.00 (346) 0	140.00 (346) 0	140.00 (346) 0	139.75 (346) 0
OCT 12	154.00 (300) 0	154.00 (300) 0	154.00 (300) 0	153.00 (300) 0	153.00 (300) 0	152.00 (300) 0	152.00 (300) 0	152.00 (300) 0	152.00 (302) 0	152.00 (302) 0
NOV 12	164.50 (248) 0	164.50 (248) 0	164.50 (248) 0	162.00 (248) 0	162.00 (248) 0	162.00 (248) 0	162.00 (248) 0	162.00 (248) 0	162.00 (248) 0	162.00 (248) 0
CME - WHEY (Electronic-Traded)										
SEP 12	57.00 (304) 0	57.00 (304) 0	57.98 (307) 3	57.98 (307) 0	57.75 (309) 3	57.75 (309) 0	57.75 (309) 0	57.75 (309) 0	57.75 (309) 0	57.75 (309) 0
OCT 12	60.00 (285) 6	61.00 (278) 9	62.95 (279) 2	61.75 (285) 9	62.00 (285) 6	62.95 (282) 4	62.50 (283) 1	62.25 (293) 12	62.50 (292) 1	61.50 (292) 3
NOV 12	61.20 (242) 2	62.03 (241) 1	63.93 (244) 4	64.00 (241) 5	65.00 (239) 2	65.00 (233) 10	65.00 (233) 0	64.50 (237) 4	65.00 (237) 0	65.30 (237) 4
CME - CHEESE CSC (Electronic-Traded)										
SEP 12	1.86 (1411) 0	1.87 (1412) 1	1.86 (1410) 11	1.87 (1410) 9	1.86 (1416) 17	1.87 (1416) 4	1.87 (1417) 1	1.87 (1417) 0	1.87 (1417) 0	1.87 (1418) 1
OCT 12	1.91 (1168) 10	1.94 (1169) 45	1.94 (1172) 8	1.95 (1183) 13	1.98 (1189) 15	1.98 (1214) 30	1.97 (1218) 4	1.96 (1218) 0	2.01 (1226) 20	2.04 (1231) 7
NOV 12	1.93 (1132) 4	1.96 (1132) 0	1.98 (1133) 1	1.98 (1138) 9	2.02 (1134) 11	2.01 (1135) 7	1.98 (1140) 11	1.96 (1152) 15	2.02 (1147) 15	2.02 (1172) 39
DEC 12	1.93 (1217) 5	1.94 (1217) 1	1.93 (1217) 2	1.95 (1217) 3	1.97 (1219) 3	1.95 (1221) 2	1.92 (1226) 6	1.90 (1240) 15	1.94 (1243) 3	1.94 (1244) 6
JAN 13	1.91 (262) 1	1.92 (259) 5	1.92 (259) 0	1.92 (275) 16	1.95 (276) 1	1.95 (276) 0	1.92 (278) 2	1.90 (281) 3	1.90 (281) 0	1.90 (281) 0
FEB 13	1.88 (129) 0	1.90 (133) 4	1.90 (133) 0	1.90 (133) 0	1.92 (134) 1	1.92 (134) 0	1.89 (134) 0	1.86 (145) 13	1.86 (149) 4	1.86 (150) 1

1/ At the CME open interest for milk -- 200,000 pounds per contract. For more detailed information, you may call our automated voice system at 608-278-4142.)

MONTHLY COLD STORAGE REPORT – TOTAL U.S. STOCKS

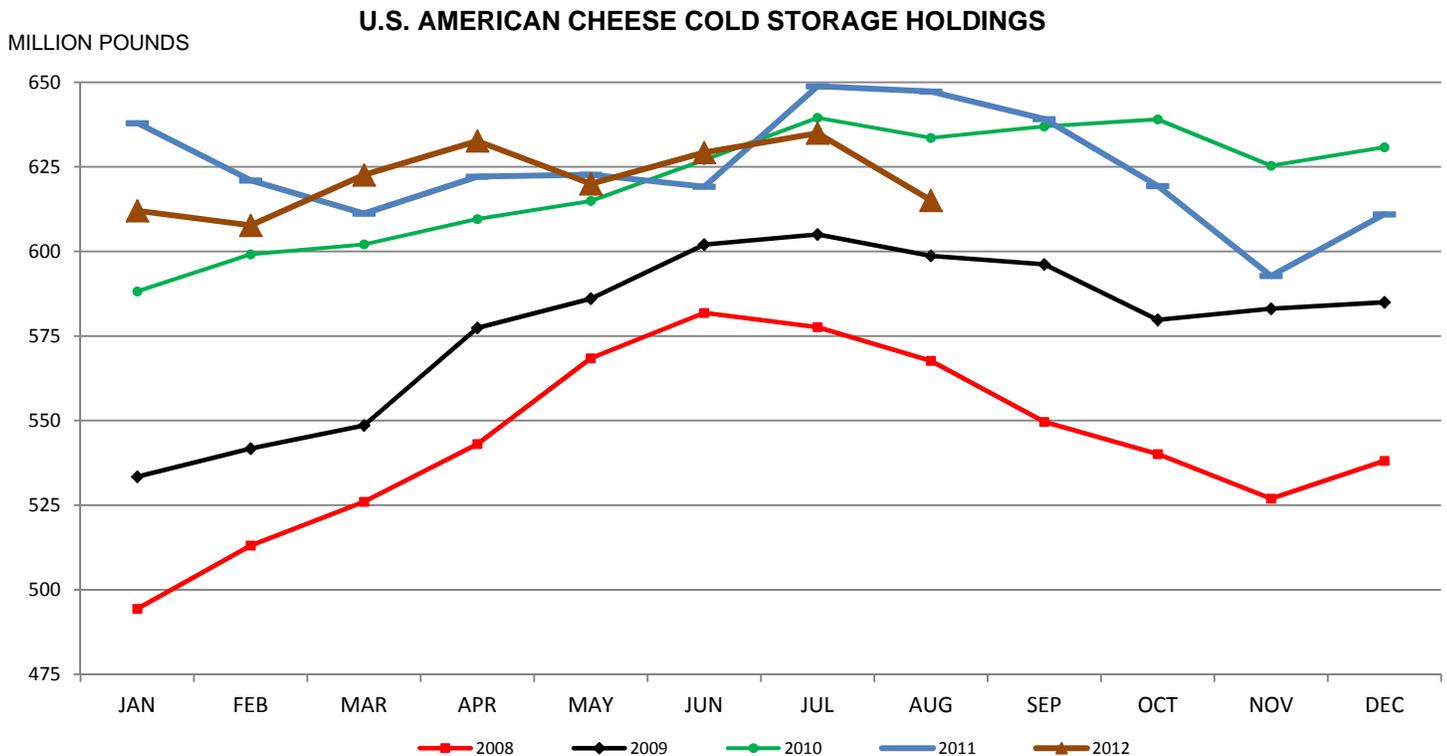
NOTE: Data for this report is collected from public, private and semiprivate warehouses, apple houses, and meat packing plants where food products are generally stored for 30 days or more. Commodities in space owned or leased and operated by the armed services are not reported. Food stocks held under bond are included in the storage data.

All stocks in thousand pounds except where otherwise indicated

U.S. HOLDINGS OF DAIRY PRODUCTS						
COMMODITY	JULY 31, 2010	JULY 31, 2011	REVISED JULY 31, 2012	AUG 31, 2010	AUG 31, 2011	AUG 31, 2012
Butter	193,506	187,796	234,352	155,253	165,698	204,492
Cheese, Natural American	639,525	648,834	634,953	633,573	647,268	615,096
Cheese, Swiss	27,702	34,168	30,611	28,379	33,577	28,773
Cheese, Other Natural	402,900	401,994	378,965	397,005	384,518	359,270
Total Cheese	1,070,127	1,084,946	1,044,529	1,058,957	1,065,363	1,003,139

AUGUST STORAGE HOLDINGS BY REGION									
REGION	Natural American Cheese			Butter *			Other Natural Cheese		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
New England	38,878	39,959	37,351	---	---	---	584	844	746
Middle Atlantic	50,624	52,189	46,810	---	---	---	21,708	24,697	22,590
East North Central	273,206	272,251	276,908	---	---	---	272,188	266,758	272,454
West North Central	93,325	109,894	103,382	---	---	---	65,902	53,516	27,704
South Atlantic	3,680	85	312	---	---	---	4,784	6,414	5,525
East South Central	2,651	1,391	1,879	---	---	---	77	247	726
West South Central	1,715	3,392	5,923	---	---	---	1,325	1,280	1,039
Mountain	56,993	62,546	48,868	---	---	---	7,463	6,136	5,517
Pacific	112,501	105,561	93,663	---	---	---	22,974	24,626	22,969
TOTAL	633,573	647,268	615,096	155,253	165,698	204,492	397,005	384,518	359,270

*Regional breakdowns are not reported to avoid possible disclosure of individual operations.



DATA SOURCE, USDA, NASS; GRAPH, USDA, AMS, DMN

COMMERCIAL AND GOVERNMENT STORAGE HOLDINGS, JANUARY 2011 TO DATE

Month	Butter		Natural American Cheese		Nonfat Dry Milk					
	Commercial		Commercial		Total ^{1/}		Commercial		Government	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	Million Pounds		Million Pounds		Million Pounds					
January	170	119	612	638	159	128	159	128	0	0
February	205	139	608	621	193	122	193	122	0	0
March	208	144	623	611	210	119	210	119	0	0
April	254	142	633	622	226	147	226	147	0	0
May	262	170	620	623	215	163	215	163	0	0
June	243	190	629	619	144	186	144	186	0	0
July	234	188	635	649	130	192	130	192	0	0
August	204	166	615	647		168		168		0
September		151		639		151		151		0
October		131		619		143		143		0
November		94		593		146		146		0
December		107		611		165		165		0

^{1/} Includes instant nonfat dry milk.

Source: U.S. Department of Agriculture. Farm Service Agency. *Summary of Processed Commodities, July 2012*. National Agricultural Statistics Service. *Cold Storage and Dairy Products, September 2012*.

**ANNOUNCED COOPERATIVE CLASS I PRICES FOR SELECTED CITIES IN FEDERAL MILK ORDERS,
OCTOBER 2012, WITH COMPARISONS ^{1/}**

For October 2012, the all-city average announced cooperative Class I price was \$23.97 per cwt., \$2.47 higher than the Federal milk order (FMO) Class I price average for these cities. The October 2012 Cooperative Class I price was \$1.35 higher than the September 2012 price. The October 2012 Federal order Class I price was \$1.29 higher than the September 2012 price. On an individual city basis, the difference between the Federal order and announced cooperative Class I price ranged from \$0.50 in Phoenix, AZ, to \$4.29 in Miami, FL. For October 2011, the all-city average announced cooperative Class I price was \$24.69, \$2.49 higher than the Federal order Class I price average for these cities. Note: For most cities, the Announced Cooperative Class I Price now includes premiums paid for milk produced without rBST.

City	OCTOBER 2012		
	Announced Cooperative Class I Price	Federal Milk Order Class I Price	Difference
	Dollars per hundredweight, 3.5% butterfat		
Atlanta, GA	26.06	22.68	3.38
Baltimore, MD	23.55	21.88	1.67
Boston, MA	23.93	22.13	1.80
Charlotte, NC	25.73	22.28	3.45
Chicago, IL	24.26	20.68	3.58
Cincinnati, OH	24.00	21.08	2.92
Cleveland, OH	23.80	20.88	2.92
Dallas, TX	22.70	21.88	0.82
Denver, CO	22.86	21.43	1.43
Des Moines, IA	23.44	20.68	2.76
Detroit, MI	23.57	20.68	2.89
Hartford, CT	23.83	22.03	1.80
Houston, TX	23.95	22.48	1.47
Indianapolis, IN	23.80	20.88	2.92
Kansas City, MO	23.13	20.88	2.25
Louisville, KY	24.43	21.18	3.25
Memphis, TN	25.03	21.78	3.25
Miami, FL	29.17	24.88	4.29
Milwaukee, WI	24.21	20.63	3.58
Minneapolis, MN	23.12	20.58	2.54
New Orleans, LA	24.93	22.68	2.25
Oklahoma City, OK	23.68	21.48	2.20
Omaha, NE	23.19	20.73	2.46
Philadelphia, PA	24.88	21.93	2.95
Phoenix, AZ	21.73	21.23	0.50
Pittsburgh, PA	24.53	20.98	3.55
St. Louis, MO	23.28	20.88	2.40
Seattle, WA	21.59	20.78	0.81
Springfield, MO	23.98	21.28	2.70
Washington, DC	23.55	21.88	1.67
Wichita, KS	23.06	21.08	1.98
Simple Average	23.97	21.50	2.47

^{1/} This table contains information from the Class I price announcements sent by the major cooperatives in each city market to all handlers who buy milk from them. These over-order prices include charges for various services performed by the cooperative. In some instances, these over-order prices may not include all credits that may be allowed. These prices have not been verified as having been actually paid by handlers.

Report Contact: Randal Stoker, Dairy Marketing Specialist, at: randal.stoker@usda.gov or 202-690-1932.

FEDERAL MILK ORDER MARKETING AND UTILIZATION SUMMARY, AUGUST 2012

HIGHLIGHTS. Handler reports of receipts and utilization under the Federal milk order system for August have been filed and tabulated. Combined totals for the 10 consolidated orders are being released. During August, more than 9 billion pounds of milk were received from producers. This volume of milk is 15.7 percent lower than the August 2011 volume. In August 2011 and August 2012, there were volumes of milk not pooled due to intraorder disadvantageous price relationships. Almost 3.7 billion pounds of producer milk were used in Class I products, 1.7 percent lower than the previous year. The all-market average Class utilization percentages were: Class I = 41%, Class II = 18%, Class III = 32%, and Class IV = 9%. The weighted average statistical uniform price was \$18.14 per cwt., \$1.16 higher than last month and \$4.50 lower than last year.

PRICE AND POOL STATISTICS FOR FEDERAL MILK ORDER MARKETING AREAS FOR THE MONTH OF AUGUST 2012										
FEDERAL MILK ORDER MARKETING AREA ^{1/}	ORDER NUMBER	RECEIPTS OF PRODUCER MILK		UTILIZATION OF PRODUCER MILK IN CLASS I			UTILIZATION OF PRODUCER MILK IN OTHER CLASSES			UNIFORM PRICE ^{2/}
		TOTAL	CHANGE FROM PREV. YEAR	TOTAL	CHANGE FROM PREV. YEAR	PERCENT	CLASS II	CLASS III	CLASS IV	
		MIL. LBS.	PERCENT	MIL. LBS.	PERCENT		PERCENT			\$ PER CWT.
Northeast (Boston)	001	2,044.1	3.4	810.4	-2.4	40	30	24	6	18.40
Appalachian (Charlotte)	005	479.2	-10.1	347.4	-8.1	72	17	6	5	19.32
Florida (Tampa)	006	236.8	0.8	205.2	0.8	87	9	1	3	21.46
Southeast (Atlanta)	007	532.3	-5.2	399.7	-1.4	75	13	9	3	19.95
Upper Midwest (Chicago)	030 ^{3/}	2,261.7	-21.5	327.9	-8.4	15	8	74	3	17.69
Central (Kansas City)	032 ^{3/}	903.0	-22.5	425.9	14.6	47	18	19	16	17.43
Mideast (Cleveland)	033 ^{3/}	1,287.4	-8.8	515.3	-3.6	40	23	24	13	17.47
Pacific Northwest (Seattle)	124 ^{3/}	419.1	-36.9	181.9	-1.3	43	11	9	37	17.13
Southwest (Dallas)	126 ^{3/}	562.0	-41.1	360.3	-3.4	64	18	10	8	18.54
Arizona (Phoenix)	131 ^{3/}	324.2	-7.7	121.4	-0.5	37	11	30	22	17.69
ALL MARKET AVERAGE OR TOTAL	^{3/}	9,049.9	-15.7	3,695.6	-1.7	41	18	32	9	18.14

^{1/} Names in parentheses are the major city in the principal pricing point of the market.

^{2/} Statistical uniform price for component pricing orders (Class III price plus producer price differential). For other orders, uniform skim milk price times 0.965 plus uniform butterfat price times 3.5.

^{3/} Due to a disadvantageous relationship between intraorder class prices and the location adjusted statistical uniform price in these markets, handlers elected not to pool an estimated 1.999 billion pounds of milk that normally would have been associated with these markets. In August 2011, the estimated not pooled volume of milk was 193 million pounds, occurring in order numbers 030, 032, and 124. After adjusting for non pooled milk, the year-to-year percent change is -1.1%.

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CONSUMER PRICE INDEX (CPI-U) AND AVERAGE RETAIL PRICES FOR SELECTED PRODUCTS, U.S. CITY AVERAGE ^{1/}

Month and Year	All Food		Dairy Products		Fresh Whole Milk		Cheese		Butter		Meat, Poultry, Fish, and Eggs	
	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}
JUN 2012	233.6	2.7	215.5	1.5	207.2	-2.8	220.4	2.0	191.4	-10.4	230.5	3.3
JUL 2012	233.6	2.3	214.4	-0.2	206.9	-3.1	218.0	-1.3	192.8	-11.7	231.3	3.1
AUG 2012	234.2	2.0	214.5	-1.0	209.6	-3.1	219.3	-1.6	192.2	-11.9	232.5	3.0
U.S. City Average Retail Prices												
Month	Whole Milk ^{4/}		Butter ^{5/}		Process Cheese ^{6/}		Natural Cheese ^{7/}		Ice Cream ^{8/}			
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	Dollars											
JUN	3.396	3.622	NA	3.605	4.030	3.922	5.475	5.443	4.896	4.854		
JUL	3.428	3.654	NA	3.694	4.052	4.093	5.457	5.596	4.929	4.862		
AUG	3.474	3.713	NA	3.645	4.085	4.204	5.493	5.647	4.846	4.792		

NA = Not available. ^{1/} "CPI Detailed Report," "Consumer Prices: Energy and Food," BLS, U.S. Department of Labor. According to BLS, average prices are best used to measure the price level in a particular month. To measure price change over time, the CPI is more appropriate. ^{2/} The standard reference base period for these indexes is 1982-1984 = 100. ^{3/} Percent change over previous year. ^{4/} Per gallon. ^{5/} Per pound. Grade AA, salted, stick butter. ^{6/} Per pound, any size and type of package. ^{7/} Per pound, cheddar cheese in any size and type of package and variety (sharp, mild, smoked, etc.). ^{8/} Per 1/2 gallon prepackaged regular.

COMMERCIAL DISAPPEARANCE: TOTAL MILK AND SELECTED DAIRY PRODUCTS - MAY 2011-JULY 2012 AND YEAR-TO-DATE 2011-2012 ^{1/}

Item	May-Jul. 2011	Percent change ^{2/}	May-Jul. 2012	Percent change ^{2/}	Jan.-Jul. 2011	Percent change ^{2/}	Jan.-Jul. 2012	Percent change ^{2/}
	Million Pounds							
MILK								
Production	50,293	0.9	50,809	1.0	115,347	1.5	119,033	2.7
Marketings	50,044	0.9	50,560	1.0	114,773	1.5	118,460	2.7
Beginning Commercial Stocks ^{3/}	12,190	-9.4	14,450	18.5	10,927	-3.6	10,983	0.5
Imports ^{3/}	610	-6.4	773	26.7	1,565	-3.2	1,791	13.9
Total Supply ^{4/}	62,844	-1.4	65,783	4.7	127,265	1.0	131,234	2.3
Ending Commercial Stocks ^{3/}	13,625	-0.6	14,116	3.6	13,625	-0.6	14,116	3.6
Net Removals ^{3/}	0	-100.0	0	0.0	0	-100.0	0	0.0
Commercial Disappearance ^{4/}	49,219	-1.6	51,667	5.0	113,640	1.3	117,118	2.6
SELECTED PRODUCTS ^{5/}								
Butter	386.5	2.5	461.0	19.3	971.7	10.0	1,017.0	4.2
American Cheese	1,058.4	-2.8	1,084.8	2.5	2,480.6	0.4	2,520.0	1.1
Other Cheese	1,617.3	3.3	1,653.4	2.2	3,781.2	5.5	3,883.1	2.2
Nonfat Dry Milk	386.2	4.0	609.7	57.9	876.6	-2.4	1,255.7	42.7
Fluid Milk Products ^{6/}	12,715.1	-1.3	12,598.2	-0.9	30,900.2	-1.9	30,431.8	-2.1

^{1/} Commercial disappearance includes civilian and military purchases of milk and dairy products for domestic and foreign use, but excludes farm household use and USDA donations of dairy products. Disappearance is a residual figure and therefore can be affected by any inaccuracies in estimating milk production, on-farm use, stocks, and imports. ^{2/} From year earlier on a daily average basis. ^{3/} Milk-equivalent, milkfat basis. ^{4/} Totals may not add because of rounding. ^{5/} Commercial disappearance in product pounds. ^{6/} Sales. Estimate based on actual sales in Federal milk order marketing areas and California. These sales figures have not been adjusted for calendar composition.

Source: U.S. Department of Agriculture. Economic Research Service. Agricultural Marketing Service. *Fluid Milk Products*.

SEPTEMBER AGRICULTURAL PRICES HIGHLIGHTS

The All Milk price received by farmers was \$19.10 in September, up \$1.00 from August 2012 and down \$2.00 from September 2011. Alfalfa hay price was \$205.00 in September, up \$7.00 from September 2011. Corn price was \$7.35 in September, up \$0.97 from September 2011. Soybean price was \$16.30 in September, up \$4.10 from September 2011. The milk-feed price ratio was 1.46 in September, down 0.38 from September 2011.

The index of prices received by farmers for dairy products during the month of September 2012 was up 7 points to 146. Compared with September 2011, the index was down 16 points (9.9 percent). The index of prices paid by farmers for commodities and services, interest, taxes, and wage rates in September 2012 was up 3 points to 219. Compared with September 2011, the index was up 14 points (6.8 percent).

SELECTED MILK PRICES, MILK COWS, AND FEED PRICES, SELECTED STATES AND U.S., SEPTEMBER 2012 WITH COMPARISONS

State	All-Milk price ^{1/} ^{2/}				Alfalfa hay, baled		Corn for Grain		Soybeans	
	Dollars per cwt.				Dollars per ton		Dollars per bushel		Dollars per bushel	
	August		September		September		September		September	
	2011	2012	2011	2012 ^{3/}	2011	2012 ^{3/}	2011	2012 ^{3/}	2011	2012 ^{3/}
AZ	22.00	17.70	21.00	18.80	220.00	200.00	---	---	---	---
CA	20.31	16.42	18.99	17.40	237.00	201.00	---	---	---	---
CO	22.00	18.10	21.30	19.00	200.00	235.00	6.61	7.53	---	---
ID	19.70	17.60	18.90	18.20	228.00	190.00	---	---	---	---
IN	23.30	18.10	22.90	19.00	---	---	6.14	7.65	12.90	16.90
IA	22.60	18.90	21.60	19.70	132.00	217.00	6.63	7.50	12.60	16.80
MI	23.20	18.20	22.60	19.50	115.00	175.00	6.71	7.75	13.00	16.70
MN	22.70	19.60	21.10	20.40	125.00	160.00	6.43	7.35	11.90	16.70
NM	21.30	17.30	20.30	18.30	285.00	240.00	---	---	---	---
NY	23.50	18.60	23.00	19.60	115.00	175.00	---	---	---	---
OH	23.40	18.60	22.90	19.60	177.00	221.00	6.95	7.70	13.50	16.90
PA	24.10	18.90	23.70	19.90	161.00	189.00	7.02	8.33	---	---
TX	23.00	18.70	22.00	19.20	249.00	238.00	6.34	7.19	---	---
WA	22.60	18.00	21.60	19.30	220.00	235.00	---	---	---	---
WI	22.60	19.20	21.20	20.30	120.00	135.00	6.95	7.15	13.40	16.70
U.S.	22.10	18.10	21.10	19.10	198.00	205.00	6.38	7.35	12.20	16.30

^{1/} Prices are shown at reported butterfat test. ^{2/} Before deductions for hauling. Includes quality, quantity, and other premiums. Excludes hauling subsidies.

^{3/} Preliminary.

MILK-FEED PRICE RATIO, SELECTED STATES AND U.S., SEPTEMBER 2012 WITH COMPARISONS

Milk-feed: pounds of 16% mixed dairy feed equal in value to 1 pound of whole milk ^{1/}			
State ^{2/}	September 2011	August 2012	September 2012 ^{3/}
IA	2.07	1.38	1.46
MI	2.22	1.40	1.51
MN	2.11	1.60	1.67
OH	1.95	1.27	1.42
WI	2.00	1.63	1.76
U.S.	1.84	1.36	1.46

^{1/} The price of commercial prepared dairy feed is based on current United States prices received for corn, soybeans, and alfalfa. The modeled feed uses 51 percent corn, 8 percent soybeans, and 41 percent alfalfa hay. ^{2/} Available states that provided all necessary data to compute milk feed price ratios.

^{3/} Preliminary.

GENERAL PRICE MEASURES, U.S., AUGUST 2012 WITH COMPARISONS

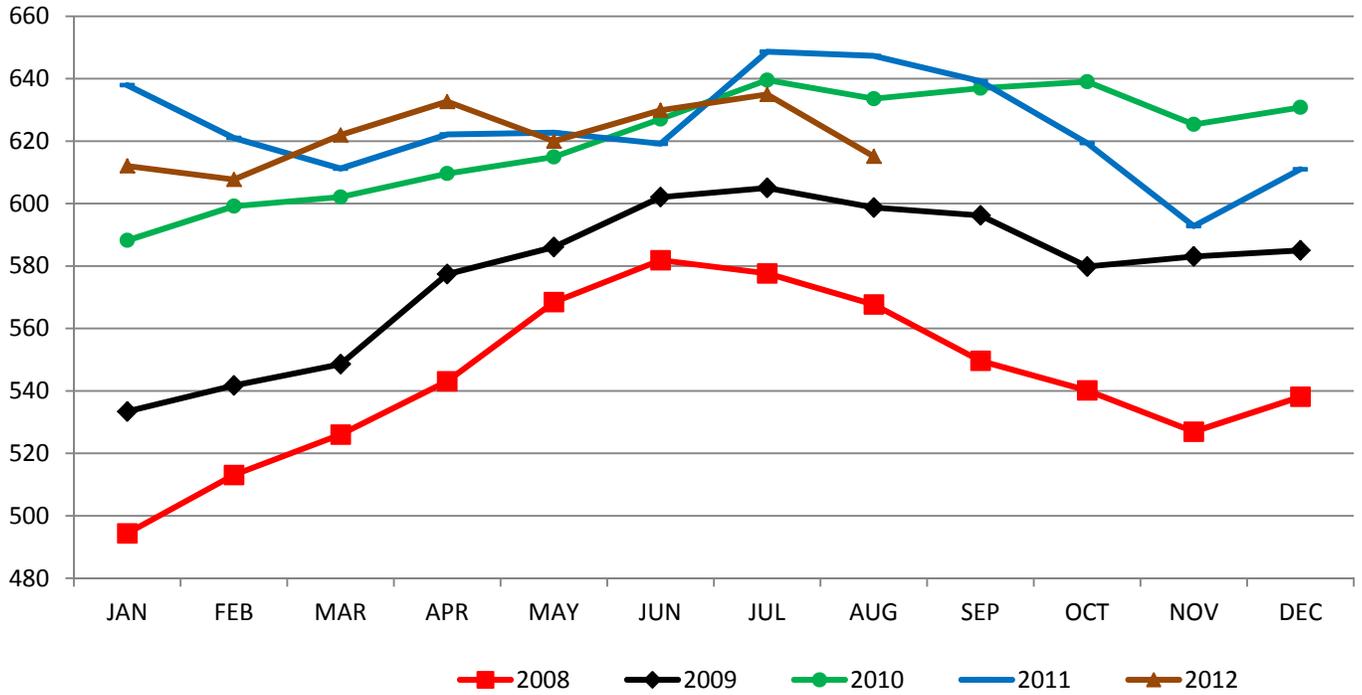
Item	September 2011	August 2012	September 2012 ^{1/}
INDEX NUMBERS (1990-92=100):			
Prices received by farmers for dairy products	162	139	146
Prices paid by farmers for commodities and services, interest taxes, and wage rates	205	216	219

^{1/} Preliminary.

Source: U.S. Department of Agriculture. National Agricultural Statistics Service. Agricultural Statistics Board. *Agricultural Prices, September 2012*.

MILLION POUNDS

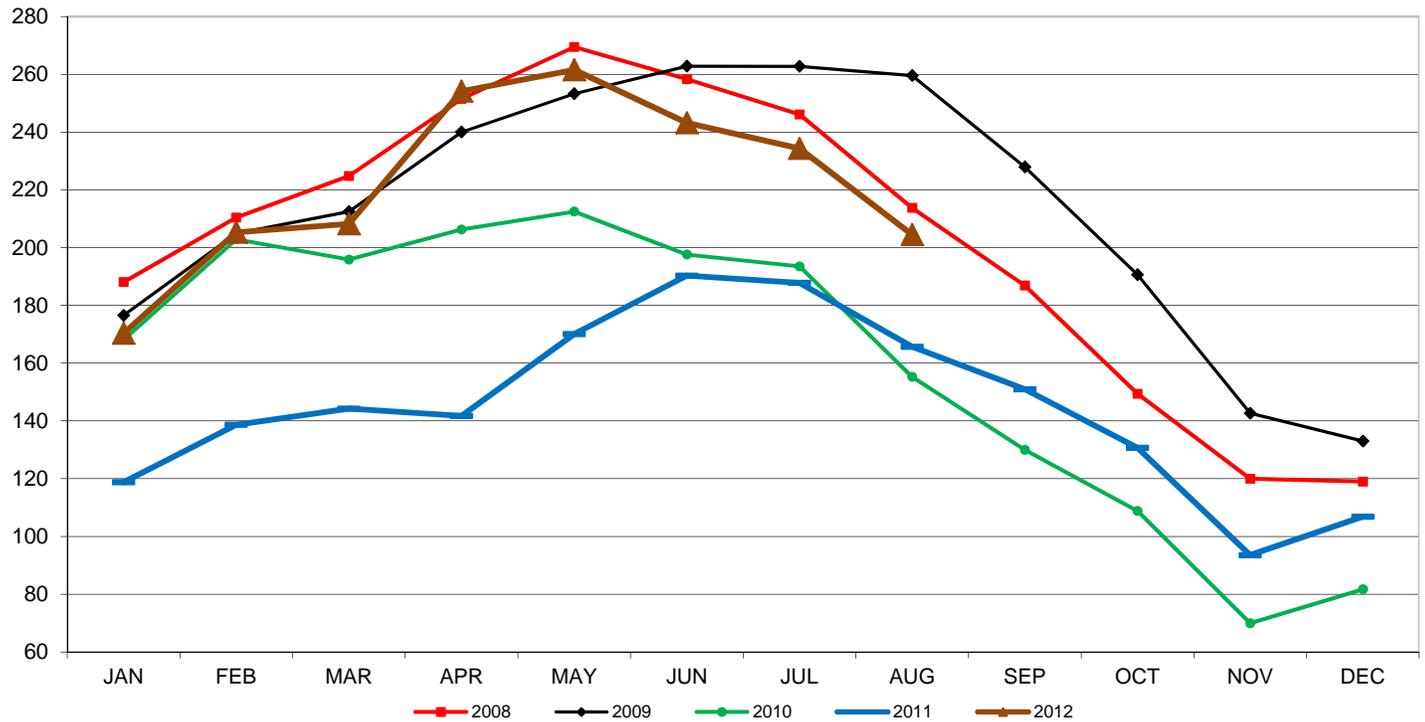
NATURAL AMERICAN CHEESE IN COLD STORAGE



DATA SOURCE, USDA, NASS; GRAPH, USDA, AMS, DMN

MILLION POUNDS

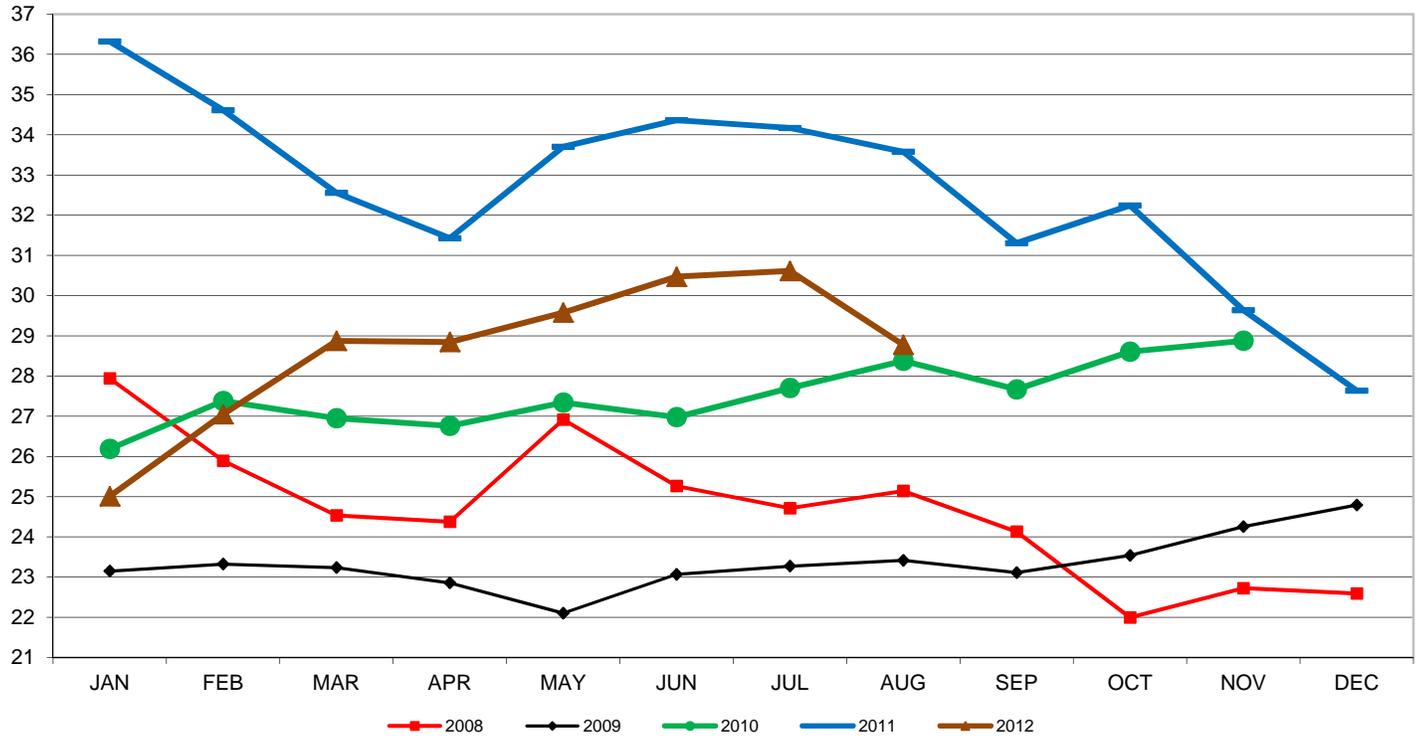
U.S. BUTTER COLD STORAGE HOLDINGS



DATA SOURCE, USDA, NASS; GRAPH, USDA, AMS, DMN

MILLION POUNDS

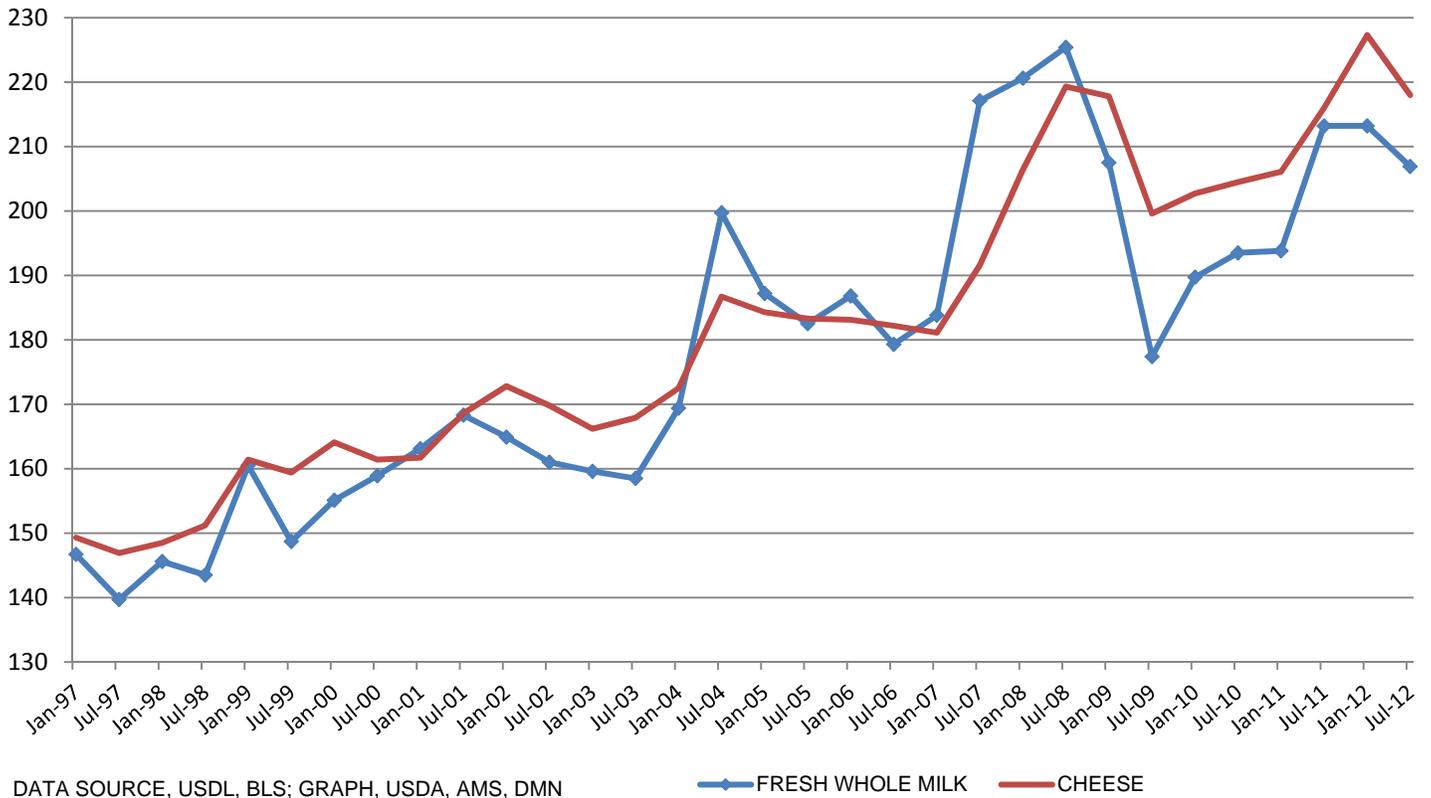
U.S. SWISS CHEESE COLD STORAGE HOLDINGS



DATA SOURCE, NASS; GRAPH, USDA, AMS, DMN

**CONSUMER PRICE INDEX
DAIRY PRODUCTS**

1982-1984=100%



DATA SOURCE, USDL, BLS; GRAPH, USDA, AMS, DMN

◆ FRESH WHOLE MILK ■ CHEESE

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